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Walden University

College of Management and Technology

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Tobi Ann Petrocelli

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Walden University
2020

Abstract

The Way Forward for the Integration of Sustainability Standards

by

Tobi Ann Petrocelli

MS, Columbia University, 2013

BA, Fordham University, 2003

Doctoral Study Submitted in Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

March 2020

Abstract

Large-scale environmental failures within public companies in the United States have led to a globally growing trend in stakeholder insistence that company leaders maintain formal integrated sustainability accounting in their financial reports. Companies that rate high on communications of their sustainability efforts and integrating corporate social responsibility develop investment efficiency and ultimately increase their financial performance. Grounded in stakeholder theory, the purpose of this qualitative multiple case study was to explore strategies 5 chief sustainability officers within publicly held companies in New York can integrate into their annual reporting in order to generate maximum value for stakeholders. Data were collected through semistructured individual interviews and sustainability reports. A thematic analysis was used to analyze the data. The 5 themes that emerged from the analysis were: a priority on disclosure, standardization and compliance, performance data collection and metrics, management communication and review, and stakeholder engagement. A key recommendation is for regulators to enact a mandated standardization for environmental, social and governance factors into an integrated annual report. The implications for social change include better access to healthcare, improved communities, employee engagement, increased diversity, ethical behavior, and conduct, as well as environmental stewardship with key efforts on reporting carbon footprints.

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Dedication

My wife, Rose, for your support, patience and continued admiration for my academic pursuits. I look forward to spending the next chapter of my life with you and growing old reading alongside you. Jo-Ann and Robert, my mentors and parents, thank you for being the beacon in my academic career always pushing me to succeed and reach great heights. My brothers, Robert and Daniel, who have always played ball with me.

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Table of Contents

List of Tables iv

List of Figures v

Section 1: Foundation of the Study 1

Background of the Problem 1

Problem Statement 3

Purpose Statement 3

Nature of the Study 4

Research Question 5

Interview Questions 5

Conceptual Framework 6

Operational Definitions 7

Assumptions, Limitations, and Delimitations 9

Assumptions 9

Limitations 9

Delimitations 10

Significance of the Study 10

Contribution to Business Practice 10

Implications for Social Change 13

A Review of the Professional and Academic Literature 14

Stakeholder Engagement 16

Stakeholder Theory and Business Practice 19

Link Between Sustainability and Financial Success 23

Theoretical Responsibility in Business 29

Sustainable Development 32

Evolution of Integrated Reporting 38

International Reporting Frameworks 49

Adoption of Sustainability Reporting Tools (SRTs) 52

Integrated Bottom Line (IBL) 57

Theoretical Frameworks 59

Summary 63

Transition 65

Section 2: The Project 66

Purpose Statement 66

Role of the Researcher 66

Participants 68

Research Method and Design 69

Research Method 69

Research Design 70

Population and Sampling 72

Ethical Research 73

Data Collection Instruments 74

Data Collection Technique 75

Data Organization Technique 77

Data Analysis 78

Interview Questions 78

Reliability and Validity 79

Reliability 79

Validity 80

Transition and Summary 81

Section 3: Application to Professional Practice and Implications for Change 83

Overview of Study 83

Presentation of the Findings 84

Theme 1: Organizational Strategy and Disclosure 88

Theme 2: Standardization and compliance 94

Theme 3: Performance data, collection, and metrics 98

Theme 4: Management communication and review 102

Theme 5: Stakeholder engagement 106

Applications for Professional Practice 108

Implications for Social Change 111

Recommendations for Action 113

Recommendations for Further Study 114

Reflections 115

Summary and Study Conclusions 116

References 119

Appendix A: Interview Protocol 146

List of Tables

Table 1 Source Accountability....16

Table 2 Emergent Themes....84

Table 3 Participant Responses Supporting Sustainability Reporting Factors....95

Table 4 Sustainability Reporting Tools....98

Table 5 Sustainability Reporting Metric....101

List of Figures

Figure 1. Literature review sources for the integration of sustainability reporting........................19

Section 1: Foundation of the Study

Corporate sustainability officers (CSOs) of public companies have increased reporting on environmental, social, and governmental (ESG) factors within their annual reporting (GRI, 2018). However, many are unable to integrate and implement sustainability reporting into their organizational operations to improve financial reporting which limits their ability to satisfy the demands of stakeholders, and puts them at a strategic competitive disadvantage, and lowers profitability. In a 2017 survey of 320 global institutional investors by Ernst and Young, 82% stated that ESG risks had been ignored for too long by the business world, whereas 81% said companies are inadequate in their disclosure of nonfinancial risks that could affect their businesses (Ernst &Young, 2017). Current developments may fuel a further rise in the prominence of sustainability reporting. In this doctoral study, I explored the strategies CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements and generate maximum value for stakeholders.

Background of the Problem

When responding to the claims of stakeholders, academic studies demonstrate that an organization increases its financial performance as integrated reporting multiplies the benefits (Benlemlih & Bitar, 2018; Chan, Watson, & Woodliff, 2014; Freeman & Dmytriyev, 2017). Companies that rate high on communications of their sustainability efforts and integrating corporate social responsibility develop investment efficiency while considering their stakeholders' expectations, ultimately increase their financial performance (Benlemlih & Bitar, 2018). However, some CSOs are unable to integrate and implement sustainability reporting into their organizational operations to improve financial reporting, which limits their ability to satisfy the demands of investors and stakeholders, puts them at a strategic competitive disadvantage, and lowers profitability. Strategic managerial skills and the utilization of sustainability reporting as a tool for managing the economic viability of a public company can promote shareholder value maximization (Sustainability Accounting Standards Board [SASB], 2017). Adhering to a sustainability framework, such as an integrated reporting methodology and mandate, is advantageous for the triple bottom line which is inclusive of people, planet, and profit (Milne & Gray, 2013). Managers can formulate *the way forward* for corporations by utilizing the integrated bottom line (IBL) and the fundamentals of stakeholder theory. IBL, as a modern trend among publicly traded companies, has also become integrated into corporate balance sheets as companies adopt amalgamated reporting practices (Vorster & Marais, 2014). The level of integration is an often-overlooked sustainability construct in management systems and change management design and, as such, presents opportunities for scale development and further empirical validation (Lozano, Nummert, & Ceulemans, 2016). While the extent of integration might vary by organization, integrated organizations and management systems would perform better than nonintegrated organizations and systems (Broman & Robert, 2017). Given the lack of standardization in the market, further discussion on strategies to evaluate ESG effectiveness is warranted to guide chief sustainability managers to enhance the overall company performance.

Problem Statement

Large-scale environmental failures within public companies in the United States have led to a globally growing trend: investor and stakeholder insistence that companies' managers maintain formal integrated sustainability accounting in their financial reports (James, 2015). At least 62% of public companies' managers now disclose environmental sustainability performance data in their financial reporting (Global Reporting Initiative [GRI], 2015). The general business problem that I addressed in this study was that some CSOs are unable to integrate and implement sustainability reporting into their organizational operations to improve financial reporting which limits their ability to satisfy the demands of investors and stakeholders, puts them at a strategic competitive disadvantage, and lowers profitability. The specific business problem that I addressed was that some CSOs from public companies lack the strategies required to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies that CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders. The sample for this study included CSOs of five corporations headquartered in the metropolitan New York who have demonstrated success at incorporating environmental sustainability reporting in their financial statements. The implications for a positive social change align with the concept of integrated sustainability reporting. Environmental and social issues such as climate change, water scarcity, and human rights are becoming financial rather than nonfinancial issues. Improving environmental sustainability reporting may provide better access to healthcare, improved communities, employee engagement, increased diversity, ethical behavior, and conduct, as well as environmental stewardship with key efforts on reporting carbon footprints. Reporting on ESG performance can be an essential part of maintaining a social license to operate for global businesses.

Nature of the Study

I chose a qualitative research method for my study. According to Delattre, Ocler, Moulette, and Rymeyko (2009), the qualitative method focuses on real-world conditions with subjective meaning. The sustainability of corporations is a contemporary business phenomenon, and qualitative research can uncover trends in thought and opinions; it enables researchers to explore the problem in more depth. A quantitative method is applicable when the concentration of the research focuses on observable facts and objective data that can be measured to demonstrate causality (Wahyuni, 2012). I did not conduct a quantitative analysis but rather an exploration of a business practice that requires qualitative information, such as experiences and decision-making processes.

The study was an exploratory inquiry where I discussed the problem, the methods, the findings, and the conclusions of a specific case. Case study researchers develop an in-depth understanding of a case or multiple cases from an individual, a small group, or organizations within a real-life, current context or setting to build patterns or explanations of the themes, issues or specific situations (Yin, 2013).

Using the interviewing technique, I developed meaning from instances and developed naturalistic generalizations, themes, and patterns from the study interviews. Researchers using the qualitative methodology can choose from various designs, including grounded theory, phenomenology, ethnography, narrative, and case study. Researchers use a grounded theory design to derive a theory in which the researcher or inquirer generates a general explanation of a process or action shaped by the views of many participants (Apramian, Cristancho, Watling, & Lingard, 2016). Grounded theory design was not appropriate for this study. A phenomenological design is appropriate to explore participants' lived experiences and to learn about the phenomenon understudy but not applicable to my study. Narrative and ethnography were inappropriate for this study, because they are used to focus on social behaviors, culture-sharing patterns, and emotional testimony not conducive to the participants within this study (Rashid, Caine, & Goez, 2015). I selected the multiple case design to reflect on how CSOs solve the critical business application of ESG factors.

Research Question

The primary research question for this study was: What strategies do CSOs use to integrate environmental sustainability into operations to improve environmental reporting and generate financial value for stakeholders?

Interview Questions

1. As chief sustainability officer, how do you assess the effectiveness of your sustainability protocol strategies to achieve the desired outcome?

2. How can the frameworks and standards that you've disclosed be integrated effectively into the operations of your company? How can the results from the improved sustainability integration improve your financial reporting, strategic competitive positioning and, in turn, maximize the shareholder value?
3. How are newly formed environmental sustainability protocols integrated into your current reporting systems and metrics that are being currently used by your ERP/SAP/CRM systems?
4. What metrics have you found to be the most useful in quantifying sustainability protocols into your business processes to be able to measure corporate sustainability initiatives for better financial reporting?
5. And lastly, what goals have you defined, as a firm, while integrating sustainability reporting into corporate operations and financial reports?

Conceptual Framework

The conceptual framework that best supported my research was the stakeholder theory developed by Edward Freeman in 1982 (Freeman, 1982). Economists and business theorists have identified various key concepts in the theory, including corporate strategy, increased financial performance, and organizational efficiency (Benlemlih & Bitar, 2018; Makipere & Yip, 2008; Tang, Robinson, & Harvey, 2011). Freeman and Dmytriyev (2017) illustrated that the composition of stakeholders include owners, investors, employees, customers, communities, and suppliers. Researchers of stakeholder theory posit that the essence of business in the context of corporate social responsibility (CSR) primarily lies in building relationships and creating value for all its stakeholders, inclusive of wealth creation and social and environmental benefits (Chan et al., 2014; Freeman & Dmytriyev, 2017). Stakeholders can use the sustainability report issued by a company to evaluate the organization with regards to the terms of acceptability in the political and social markets, financial and equity markets, and the product and consumer markets (Herremans, Nazari, & Mahmoudian, 2015). Freeman and Dmytriyev (2017) further argued that companies with high levels of CSR could enhance their reputation, gain employee loyalty, and benefit from customers' support resulting in a positive impact on the companies' financial performance.

When responding to the claims of stakeholders, many firms' managers demonstrate that an organization increases its financial performance as integrated reporting increases benefits (Benlemlih & Bitar, 2018; Chan et al., 2014; Freeman & Dmytriyev, 2017). Companies that rate high on communications of their CSR efforts and develop investment efficiency while considering their stakeholders' expectations increase their financial performance (Benlemlih & Bitar, 2018).

Stakeholder theory was relevant to the focus of my study, as it supports the foundation of strategic managerial skills and sustainability reporting as a tool for managing the economic viability of a public company and value maximization. Adhering to a sustainability framework, such as an integrated reporting methodology and mandate, is advantageous for the triple bottom line (TBL) which is inclusive of people, planet, and profit.

Operational Definitions

Corporate social responsibility (CSR): A general term for activities that corporate leaders conduct beyond complying with governmental rules or impositions, to provide social and environmental benefits for stakeholders while delivering profit for their shareholders (Freeman & Hasnaoui, 2011; Lankoski, Smith, & Van Wassenhove, 2016).

Integrated bottom line: The issuance of information on both financial and nonfinancial performance, exhibiting the relationship between financial and nonfinancial performance and how these interrelated dimensions are creating and destroying value for shareholders and other stakeholders (Stroufe, 2017).

Sustainable development: “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p. 41).

Sustainability reporting: A broad term used to describe a company’s reporting on its economic, environmental, and social performance. These matters often are characterized broadly as environmental, social, and governmental (ESG) concerns (SASB, 2017).

Stakeholder theory: The proposition of stakeholder theory is that corporations have a moral responsibility to their stakeholders (Freeman, 2010; Sama-Lang & Njonguo, 2016).

Triple bottom line (TBL): Corporations’ managers can visualize their obligations in three dimensions: environmental (reduction of damage to natural resources), social (social impact in communities), and economic (value creation and financial prosperity) (Chabowski, Mena, & Gonzalez-Padron, 2010; Nobre & Moura Ribeiro, 2013).

Assumptions, Limitations, and Delimitations

Assumptions

According to Leedy and Urmod (2013), assumptions are the facts that serve as the foundation for a research problem but cannot be verified. My initial assumption for this study was that the interviewed CSOs were capable of providing an accurate description of the sustainable and environmental practices carried out at their respective organizations. I also assumed that the officers were acquainted with the various sustainability tools and frameworks that served as the reference for this study. I also assumed that participant responses were truthful. To mitigate the risks prompted by these assumptions, there was no compensation for the information and data given, and each interview was voluntary and confidential.

Limitations

A limitation is any constraint that might affect the internal and external validity of the research conducted (Connelly, 2013). One limitation in this study was the lack of mandatory reporting by the securities and exchange commission or other regulatory bodies that dictate the disclosures of public companies. Business practitioners have different viewpoints regarding the frameworks and standards utilized to disclose nonfinancial factors (Cegarra-Navarro, Reverte, Gómez-Melero, & Wensley, 2016). The use of a comprehensive interview approach reinforced the needs for standardization in ESG reporting. Given the highly competitive market environment in asset management and financial advisory, managers might not be equipped to ascertain the sustainability of public companies with the lack of standardized or IBL approaches to investments. These limitations might have caused gaps in the data, but they did have an impact on the need for a definitive yet mandated approach to nonfinancial indicators within public equities.

Delimitations

A delimitation is a controlled and researcher-imposed limitation to the study, reducing its scope by setting boundaries and focusing the study on particular areas of interest (Ody- Braisier & Vermeulen, 2014). This study involved five CSOs at public companies headquartered in the United States; those who were selected maintained the sustainability practices and responsibilities within their respective organizations headquartered in New York. Another delimitation was that I excluded private enterprises, social organizations, and nonprofit firms. In addition, the interview population only included individuals headquartered in New York who had dedicated CSOs that were formally responsible for reporting on ESG factors. Excluding firms in the private, social, or nonprofit sector and not considering organizations that do not have formal positions dedicated to sustainability may have limited the depth of understanding and integration of sustainability reporting.

Significance of the Study

Contribution to Business Practice

The findings of this study may have value to corporate leaders seeking to adopt sustainability as a central element of their long-term strategy to improve competitive positioning and profitability. Business leaders should be responsible not only for the financial aspects of business but also for the effect of their businesses on the environment and society (Hack, Kenyon, & Wood, 2014). The findings of this study may be of value to businesses because they can assess the progress using integrated reporting, communicate with stakeholders and shareholders regarding CSR, and create competitive advantages for companies who maintain an integrated system of thinking (Huang & Watson, 2015). The results of this study may serve as a body of research that supports the need for an integrated system of reporting and illustrates the business case for increased profitability and market share for the leading sustainability-oriented corporations. Leaders that use effective ESG polices may enrich their business operations and deliver positive long-term financial results for corporations. The majority of stakeholders—specifically investors—are continuously seeking high-value information that may signify a competitive advantage as opposed to other market participants, inclusive of their ESG metrics (Oprisor, 2015).

Schooley and English (2015) claimed that 58% of the 100 largest corporations that aggregate financial reporting and corporate social responsibility dedicated a special section of the annual report for CSR information, rather than integrating the nonfinancial CSR information with financial reporting information throughout the annual report. The gap identified by managers in integrated annual reports suggests there is an opportunity for improvement in the movement toward an integrated reporting standard that is recognized by corporations internationally (Schooley & English, 2015). Such standardized financial and sustainability reporting protocols may improve the firm’s performance and branding (Schooley & English, 2015). In their ability to communicate and disclose information to improve financial performance, the way forward for companies is the integration of their financial and nonfinancial (societal and environmental) strategies (Oprisor, 2015).

Oprisor (2015) described the positive outcomes that can arise when businesses' managers adopt a policy of social responsibility and corporate sustainability which can include improved financial performance, reduced operating cost, enhanced reputation, increased customer loyalty, employee retention, workforce diversity, product safety, and decreased liability. Companies' managers will gradually have more access to capital, reduce regulatory oversight, and create overall greater productivity and quality in their organization (Oprisor, 2015); Schooley & English, 2015). The general public can also benefit from CSR as the corporation's managers can increase charitable contributions, enhance employee volunteer programs, and participate in community education and employment programs (IIRC, 2013). Additionally, the integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling can further the social implications of CSR (International Integrated Reporting Council [IIRC], 2013).

Social change, as it aligns with CSR, promotes a vision of business accountability to a wide range of stakeholders other than shareholders and investors. Through the implementation of internationally standardized sustainable business strategies, processes, and protocols, a business leader can serve as a good corporate citizen and become an example for others in their respective business communities. Competent leadership within key areas, such as environmental protection, the wellbeing of employees, the community, and civil society, are largely impactful when managed appropriately. CSOs who successfully implement sustainable strategies into their financial reporting benefit from the increased profitability, improved branding, and a stronger competitive position, as compared to their rivals, which creates a sustainable competitive advantage for the company (Oprisor, 2015). Traditional views about competitiveness, survival, and profitability are evolving to include ESG-related factors (IIRC, 2013). The idea that corporations can no longer act as separate economic entities operating in detachment from broader society is the conceptual foundation for CSR. With increased profitability, corporations' profits can be the benefit of educational, social, and community-based organizations through charitable contributions. It could also contribute to creating jobs.

Implications for Social Change

The implications for positive social change align with the concept of integrated sustainability reporting. Environmental and social issues, such as climate change, water scarcity, and human rights, has been seen by stakeholders as financial and branding issues, rather than nonfinancial issues. Improving environmental sustainability reporting may provide better access to healthcare, improved communities, and employee engagement, increased diversity, ethical behavior, and conduct, as well as environmental stewardship with key efforts on reporting carbon footprints (SASB, 2017). Company managers may be expected to be transparent not only about their own performance on these topics but also about the financial risks and opportunities they face because of them and the likely effects on the business’s value creation in both the short and long-term. Reporting on ESG performance may represent an essential part of maintaining a social license to operate for global businesses.

A Review of the Professional and Academic Literature

In this qualitative multiple case study, I explored strategies that CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders. I extensively reviewed the professional and academic literature to align the current study with the extant literature. A literature review is often the catalyst in the development of a research topic or theme (Olhager, Pashaei, & Sternberg, 2015). To advance a proper literature review, it is necessary to select, read, analyze, and synthesize published articles relating to the research subject, and further guide the study (Wolfswinkel, Furtmueller, & Wilderom, 2013). According to Rhoades (2011), providing a new interpretation and insightful synthesis of literature helps researchers extend their knowledge and develop a thorough literature review.

Within this study, I explored the strategies that public corporations use to integrate sustainability metrics and protocols into their business operations and financial reporting to maximize shareholder value. CSOs use integrated environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders (SASB, 2017). According to scholarly research, authors have shown that the adoption of sustainability and CSR protocols and their integration into corporate financial reporting creates superior financial performance for corporations (Finch, 2015; Friede, Busch & Bassen, 2015; Roselle, 2016). GRI users have, on average, lower share price volatility and better operating profit margins (Finch, 2015; Siew, 2015).

In this literature review, I explore how Freeman’s stakeholder theory (1984) applies to the integration of sustainability factors as they pertain to financial performance. I continue the analysis by focusing on three themes within the Integrated Reporting Council framework that corporate leaders can use to generate maximum value for shareholders and stakeholders. The literature review covers three foundational areas: sustainable development, the evolution of integrated reporting, and the integrated bottom line. Each section includes a synthesis of the relationship between integrated reporting and the conceptual theory that serves as the underpinning for this study as well as a summary of contrasting perspectives.

The strategy that I used to conduct this literature review included in-depth searches on Google Scholar and the Walden Library to access ProQuest, Business Source Complete, and ABI/INFORM. The following phrases and keywords searched within those databases were *stakeholder theory, sustainability, ESG sustainability standards, reporting, integrated reporting, public corporations, CSR*, and *executive management.* The keywords search led to the selection of 188 articles, books, and government sources. The study contains 188 references of which 164 (87%) constitute as peer-reviewed sources. 159 (86%) of the references in the study are within five years of the 2019 year of CAO-approval of the study.

Table 1

Source Accountability

Reference type	Reference counts	Percentage of total references
References (books, journals, websites)	188	100%
Peer-reviewed references	164	87%
References published 2014-2019	159	86%
References from books	24	13%

Stakeholder Engagement

The conceptual framework that best supported the qualitative research within this study was the stakeholder theory, developed by Edward Freeman in 1982. Economists and business theorists identified various key concepts in the theory, including corporate strategy, increased financial performance, and organizational efficiency (Benlemlih & Bitar, 2018; Makipere & Yip, 2008; Tang et al., 2011). According to Freeman and Dmytriyev (2017), the composition of stakeholders includes owners, investors, employees, customers, communities, and suppliers. Despite a company's industry or business model, all stakeholders deserve an equal voice (Chabowski et al., 2010; Freeman, 2010). The authors of stakeholder theory posit that the essence of business, in the context of corporate social responsibility, primarily lies in building relationships and creating value for all its stakeholders, inclusive of wealth creation and social and environmental benefits (Chan et al., 2014; Freeman & Dmytriyev, 2017). Stakeholders can use the sustainability report issued by company leadership to evaluate the organization in terms of acceptability in the political and social spheres, the financial and equity markets, and the product and consumer markets (Herremans et al., 2015). Freeman and Dmytriyev (2017) further argued that companies with high levels of CSR could enhance their reputation, gain employee loyalty, and benefit from customers' support, resulting in a positive impact on the companies’ financial performance and providing a sustainable competitive advantage.

When responding to the claims of stakeholders, many researchers demonstrated that an organization increases its financial performance as integrated reporting multiplies the benefits (Benlemlih & Bitar, 2018; Chan et al., 2014; Freeman & Dmytriyev, 2017). Companies that rate high on communications of their CSR efforts develop investment efficiency and while considering their stakeholders’ expectations increase their financial performance (Benlemlih & Bitar, 2018). This theory when applied to the focus of this study, supported the foundation of strategic managerial skills and sustainability reporting to be a tool for managing the economic viability of a public company and shareholder value maximization. Adhering to a sustainability framework, such as an integrated reporting methodology and mandate, is advantageous for the triple bottom line (TBL) which is inclusive of people, planet, and profit (Milne & Gray, 2013).

The first section of this literature review I discussed, integrated, and summarized the emergence of the stakeholder theory as it applies to business practices. A further chronological review of research included sustainable development and ethical business practices which provide a contextual understanding for integrated reporting, also known as incorporating sustainability protocols into corporate operations, measuring them, and then reporting them in the company’s financial reporting which ultimately promotes their competitive positioning and profitability. Not addressing integrated thinking and disclosing the nonfinancial factors can result in lost market share, decreased profitability, and brand degradation (Benlemlih & Bitar, 2018; Freeman & Dmytriyev, 2017; Chan et al., 2014).

The second area includes themes that have influenced the financial and nonfinancial reporting mechanisms developed by the GRI, Integrated Reporting Council (IR) and other leading organizations. In the third area of relevant literature I examined the intended strategies, including balanced scorecard and sustainability reporting tools (SRTs), that maximize value for stakeholder and shareholders of publicly traded firms. The confluence of these three literature areas points to the opportunity for a new study and approach to sustainability reporting. Concluding the literature review, I saw direct alignment of the stakeholder theory with the integrated bottom line (IBL) as the way forward for corporations. IBL, as a modern trend among publicly traded companies, has also become a new line item on a balance sheet as companies adopt amalgamated reporting practices (Vorster & Marais, 2014). IBL is defined, here, as an analysis and disclosure of financial, social, and environmental assets and liabilities to internal and external stakeholders of an organization; this function aligns directly with Freeman's stakeholder theory. This definition also takes IBL beyond an accounting practice to an evaluator of management solutions which aligns with the field work within this study (Sroufe, 2017).

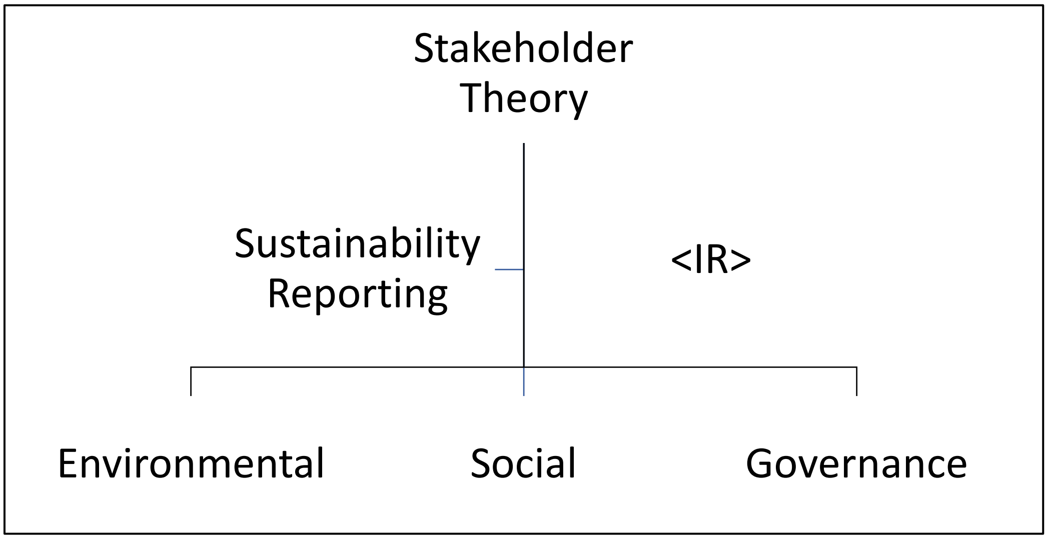

Figure 1. Literature review sources for the integration of sustainability reporting

Stakeholder Theory and Business Practice

Stakeholder theory aligns with the interest of many institutions and individuals. According to the Forum for Sustainable and Responsible Investment (USSIF, 2018), those who embrace integrating ESG strategies into their investments to manage risk, fulfill fiduciary duties, or generate social and environmental benefits include: major investment management teams, mutual fund investors, colleges and universities, banks and credit unions, public pensions, foundations, religious institutions, venture capitalists, and labor pensions. Approximately one-fifth of all investment assets under professional management in the United States, $8.72 trillion out of $40.3 trillion, are held by institutions, investment companies, or money managers that either consider ESG issues in selecting investments across a range of asset classes or file shareholder resolutions on ESG issues at publicly traded companies (Odell, Jamieson, & Usman Ali, 2016). Some investors embrace socially responsible investment (SRI) strategies to manage risk and fulfill fiduciary duties. They may review ESG criteria as part of their due diligence process to assess the quality of management and the likely resilience of their portfolio companies in dealing with future challenges (Montecalvo, Farneti, & de Villiers, 2018). Du, Yu, Bhattacharya, and Sen (2017) demonstrated in their event study a significant short-term stock market reaction to the release of sustainability reports. In particular, abnormal stock returns around the release of such reports are positively related to firm sustainability performance, and this positive link is smaller for firms with lesser information asymmetry. Based on the results of the study the researcher exhibited that over the long-term, as compared to non-reporting firms, CSOs that release sustainability reports enjoy higher value relevance of sustainability performance (Du et al., (2017). Researchers revealed that sustainability reports enhance information transparency and allow investors to incorporate sustainability information in stock valuation (Godfrey, Merrill, & Hansen, 2009; Montecalvo et al., 2018). The underlying theme of organizational leadership and strategy pose great influence for public companies to take action and support the application of ESG within their business operations. Academic researchers present strong evidence for the business case of sustainability reporting and have offered important recommendations for public policy makers in terms of devising policies and regulations to promote sustainability reporting (Du et al., 2017; Tschopp & Huefner, 2015).

Some managers seeking hidden sources of alpha (financial outperformance) over the long-term will include metrics to measure the sustainability of public companies from integrated sustainability reports. A growing body of academic research has shown a compelling link between ESG and financial performance (Du et al., 2017; Friede, Busch & Bassen, 2015; Odell et al., 2016). From a public policy standpoint, a comprehensive, in-depth, and well-structured sustainability report, as compared to numerous scattered and disintegrated filings, would streamline the process of monitoring and information acquisition by key stakeholders (Du et al., 2017). Researchers have shown that the impact of such sustainability reporting on stock prices occurs not just in the short term but also in the long term, producing higher value relevance. (Du et al., 2017; Friede, Busch & Bassen, 2015; Odell et al., 2016). Analysts revealed in the latest KPMG (2016) study that sustainability reporting requirements across the globe have more than doubled since 2013, a statistic that singlehandedly demonstrates the increasing importance of integrated financial and sustainability reporting to stakeholders.

Historical developments. In the 1980s, investors became responsible and broadened their range because of several financial and social developments. The Anti-Apartheid campaign motivated endowments and other institutions to divest their portfolios of companies doing business in South Africa as a protest against the regime's system of racial inequality or to engage companies operating there to work for meaningful change in the country (Cadez & Czerny, 2016). Environmental catastrophes at Chernobyl, Ukraine and Bhopal, India and the Exxon Valdez oil spill in Alaska were flashpoints for investor concerns regarding pollution, energy use, and environmental management. The events inspired investment research firms to collect more extensive data on publicly traded companies to assess their environmental systems and performance (Cadez & Czerny, 2016). Climate change remains the most significant overall environmental factor in terms of assets, affecting $1.42 trillion in money of managerial assets and $2.15 trillion in institutional investor assets—more than three times affected in 2014. Moreover, shareholders concerned about climate risk filed 93 resolutions, specifically on the subject in 2016, and negotiated a number of commitments from the target companies report on strategic planning around climate change or to reduce their greenhouse gas emissions (Cadez & Czerny, 2016).

The managers and executives of the 1980s also witnessed a new interest in corporate governance as public and labor pension funds joined together to defend their interest after a growing number of companies adopted anti-takeover defenses that infringed on shareholder rights. Sustainable investment analysts now routinely ask whether companies meet reporting and performance standards in areas such as board oversight, climate risk, executive pay, human rights, supply-chain engagement, and use of toxic chemicals (Cadez & Czerny, 2016).

Reporting Initiatives. The GRI, the SASB and the IIRC are three initiatives that seek to promote and standardize corporate reporting of the ESG data investors need to assess companies societal and environmental impact and long-term investment potential (Epstein & Rejc-Buhovac, 2014). The conceptual framework utilized in this study, stakeholder theory, closely aligns with the strategies set forth by investors demands. Whether or not investors consider ESG issues when they select their portfolios, they can use shareholder strategies to bring these issues to the attention of management (Barnett & Salomon, 2012). The rising levels of support in the last decade for shareholder resolutions on an array of environmental, social, and corporate governance issues highlight the importance that active asset owners place on CSR and corporate governance (Delmas & Toffel, 2008; Epstein & Rejc-Buhovac, 2014).

Link Between Sustainability and Financial Success

Research has warranted that successful commercial investment results depend heavily on a variety of ESG factors. If a manager does not include ESG risks or seize opportunities to improve ESG fundamentals, firms can lose out financially (Shoaf, Jermakowicz, & Epstein, 2018; Milne & Gray, 2013). Climate issues, social unrest, governance challenges, geopolitical risks— these can all have negative effects on long-term performance if one is not aware of them and actively mitigates the risks posed by them. Additionally, private investors display a growing appetite to do well and do good. Surveys showed that sustainable and impact investments appeal to millennial, female, and family office investors, in particular (Roselle, 2016). Under 35s are twice as likely as those in other age groups to sell an investment if the corporate behavior is perceived to be unsustainable, as outlined in a 2015 report from Morgan Stanley's Institute of Sustainable Investing. 65% percent of women (as opposed to 45% percent of men) judge an investment success based on social, political, or environmental outcomes, according to the 2013 US Trust data, cited in WEF's 2014 report Impact Investing: A Primer for Family Offices. Additionally, UBS and Campden Wealth's Global Family Office Report 2017 found that 40% expect to commit more capital to impact ESG investments in the coming years.

Furthermore, institutional investors, such as pensions, endowments, and sovereign wealth funds, are showing a keen interest in aligning its investments with specific UN

Sustainable Development Goals (SDGs) linked to climate change, air pollution, access to clean water, food security, health, and poverty alleviation. The portfolio development for this investor sect includes attractively-valued companies that demonstrate strong operational sustainability performance. In practice, UBS has helped investors by researching how firms can generate higher financial returns and positive societal outcomes. In a recent UBS Wealth Management Chief Investment office white paper (UBS, 2018), UBS outlined how all corporations can create added value by embedding financial, social, and environmental return targets into all parts of their corporate mission. For instance, companies can report more consistently on the social and environmental benefits they generate by supporting the SDGs (UBS, 2018).

Engagement is primarily about communication. Investor-company engagement helps to build mutual understanding regarding expectations investors have on boards and management in relation to a company's financial sustainability. Companies management teams, in turn, can explain the factors driving long-term value creation and influencing performance against strategic goals. Long-term sustainable financial results produced by operational excellence, including how well ESG factors mitigate both risks and opportunities (UBS, 2018).

Disclosure is the broadest level of engagement for public companies. Investors disclosing, via an integrated report, identify their approach to stewardship and proxy voting, ideally publishing detailed voting and engagement guides and activity reports ultimately help companies understand the benchmarks against which investors will be assessing company performance on a number of facets, according to Michelle Edkins, the

Global Head of Investment Stewardship at Blackrock (BlackRock, 2017). Many companies' managers are framing their disclosures and regulatory requirements in the form of financial statements, proxy statements, or press releases. However, investors are not getting the full scope of operations and activities relevant to the ESG factors, given that the rules are piecemeal and ambiguous in the reporting options. The industry-based framework developed over the last three years by the SASB and other SRTs addresses this gap in the market. Reporting against those standards draws a full picture of performance, risk, and opportunity.

In alignment with the stakeholder theory, the voting rights of shareholders are the broadest form of engagement that companies, and their shareholder undertake (Stubbs & Higgins, 2015). Proposals and requests of boards for specific changes are the most concrete method in which investors can interact with management, the purview of ESG is not always a binary signal of voting. Therefore, the direct engagement with public equities asking targeted and thoughtful questions of companies that help them better understand the information companies have provided through their standard disclosures is a way forward for ESG integration and adoption of more salient business practices (Odell et al., 2016). Today's challenges forecast tomorrow's solutions, and in today's rapidly changing business landscape, many market participants are exploring how we might modernize corporate disclosure practices. Guided by narrowly-focused financial statements and quarterly earnings reports, investors have found it challenging to develop a robust understanding of how companies create sustainable long-term value. It has become clear that financial, and other reporting must evolve to keep up the pace with this growing interest, among, both, company manager and investors, in sustainability information that is material to operations and financial performance (Roselle, 2016; Sherwood & Pollard, 2017).

The SASB and other SRTs were established to address this market need. In practice, the SASB’s standard-setting process emphasizes the securities law concept of materiality, so that its industry-specific outcomes can serve as a natural complement to traditional financial reporting and as a practical path forward for companies to provide the capital markets with effective disclosure on material ESG matters (Tschopp & Nastankski, 2014). High-quality sustainability information, as opposed to boilerplate language that prevails in today's market, would help companies provide a full assessment of corporate operations in a more tacit and efficient manner. The goals of most SRTs is to provide a starting point for an ongoing dialogue with the broad spectrum of market stakeholders regarding sustainability disclosure and how it can benefit investors, issuers, and the markets at large (IIRC, 2013). However, studies highlighting Freeman's stakeholder theory (1984) opined that a primary concern within stakeholder management is the order of priority among the diverse categories since not all stakeholders have the same level of strategic importance for the organization (Carroll, 1996; Clarkson, 1995; Donaldson & Preston, 1995).

SRTs may not be equipped to identify the importance of each stakeholder accurately. In this occurrence, the needs of nonpriority stakeholders do not have to be satisfied by managers since they are not strategic for the organization, according to some research (Carroll, 1996; Clarkson, 1995; Donaldson & Preston, 1995). Contrasting to the alignments toward corporate responsibility and equal voice once described in Freeman's pioneer works, authors have distinguished the theory by amending the construct to include *orientation*. In this sense, stakeholder orientation is a strategic behavior aimed at managing and engaging stakeholders for, both, opportunistic and moral reasons, as described in the model by Svendsen (1998) and Waddock (2002). Additionally, Mitchell, Agle and Wood (1997) proposed a framework that categorized stakeholders in terms of power, legitimacy, and urgency so that the more of these attributes a stakeholder has, the more salient the stakeholder is, in terms of managerial attention.

Human capital becomes a key component to the disclosure of factors within a corporation as it relates to the governance aspect of ESG. The Human Capital Management Coalition, a group of institutional investors, collectively managed $2.8 trillion in assets and petitioned the Securities and Exchange Commission (SEC) to require corporate issuers to disclose information regarding their management of human capital (Human Capital Management Coalition, 2017). Vanguard, one of the world's largest investment management companies, with $4.4 trillion in assets, issued an open letter calling on public companies *to embrace the disclosure of sustainability risks that bear on a company's long-term value creation prospects* using a suitable framework like the SASB standards (Vanguard, 2017). As Bank of America Merrill Lynch (BOA) stated in their research, sustainability factors are strong indicators of future volatility, earnings risks, price declines, and bankruptcies (BOA, 2017).

Seldom used sustainability performance metrics lack comparability, especially when they are internally used metrics and moreover, non-standardized (SASB, 2017). By and large, companies continue to take a minimally compliant approach to sustainability disclosure, providing the market with information that is inadequate for efficient pricing and effective decision-making. Through the research question of this study, I try to explore what strategies are used by CSOs to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders. Perhaps the tools provided in the market can be the solution. Despite the lack of mandatory reporting in the US, companies that have taken the first step to include the aforementioned standards are adhering to stakeholders demands. According to van Duuren, AukePlantinga, and Bert Scholtens (2016), SRTs exist to solve this problem by providing a materiality-focused market standard for sustainability disclosure to ensure more detailed and comparable disclosure that is useful for investors while making decisions and cost-effective for companies. Evaluation tools will develop a deeper understanding of where portfolio risks lie and where opportunities exist (van Duuren et al., 2016).

According to the Global Sustainable Investment Alliance (GSIA), more than one out of four dollars under professional management uses sustainable strategies in evaluating companies (2016). However, the quality of corporate sustainability disclosures related to ESG performance has not kept pace. Companies’ managers have begun to disclose more information about how they manage key sustainability issues, particularly in stand-alone CSR reports, but such reporting has done little to illuminate the connection between a company's sustainability performance and its financial statements. Furthermore, such reports tend to exhibit a strong positive bias; for example, an analysis of highly rated sustainability reports revealed that 90% of known negative events went undisclosed (Boiral, 2013). This communication breakdown has created a challenge for investors who need to understand more efficiently the material risks and opportunities they face in allocating financial capital.

Theoretical Responsibility in Business

Freeman's stakeholder theory (1984) can be considered an extrinsic motivator towards ESG initiatives and the promotion of corporate responsibility within a corporation. An organization may have both intrinsic and extrinsic motivations to promote ethical and social good. According to Tsai and Cheng (2012), intrinsic motivations stem from the individual or organization and not the reward, while extrinsic motivations are incentives that drive individuals to perform actions due to the external remunerations garnered from those activities.

In an open and free market environment, there is a requirement to communicate stakeholder theory, without creating an opportunity for deception or fraud in reaching profitability (Mullins & Schoar, 2016). Within the implementation of the Ethical Theory, leaders can create ethical norms, which determine the moral (or immoral) behaviors accepted by the group (Dinh et al., (2014). The challenge of integrating the ethical perspective of CSR with the managerial perspective of the stakeholder theory is due to motivation (Kim, Park, & Wier, 2012). Intrinsic motivators arise from feelings, as well as duty-bound obligations. For example, intrinsic motivators can drive managers to produce high-quality financial reports (Kim et al., 2012). Boztosun and Aksoylu (2014) found a significant relationship between CSR and earnings quality and higher profitability. The reporting mechanisms and strategies used to disclose the quality of these earnings can be the mere motivators, not the intrinsic value they are creating. Positive future corporate earnings forecasts bolster stakeholder trust in CSR firms and relate directly to managerial behavior and priorities because investors are paying for the present value of future cash flows. Stock prices will propel if investors are expecting higher future earnings (Kim et al., 2012).

In contrast, and perhaps as a direct consequence of unethical activity, social responsibility is gaining a reputation by stakeholders as a requisite for organizations due to its positive impact, and it is considered equally as important as a strategic management tool for profit maximization (Schneider, 2015). Contrasting viewpoints may generate some debate about extrinsic motivations being stronger than intrinsic motivations (Tsai & Chang, 2012). The inquiry from various stakeholders has regarded whether the assurance of these disclosures bares an additional need for research. However, the current lawmakers within the US are striving to ascertain and regulate these disclosures to ensure ethical responses and key performance information are true.

Market infrastructure already exists to provide investors, lenders, and other economically-motivated decision makers with the information they need. In the US, for example, corporate disclosures requirements are outlined in the provisions of the federal securities laws and the regulations of the SEC (Ole-Kristian, Danqi, & Hai, 2016; Schneider, 2015). As SEC guidance has made clear, sustainability topics, when material, are covered by its existing disclosure requirements. Although such disclosure has become increasingly prevalent, its quality—for example, much of what consists of boilerplate language— has left investors wanting. As a result, shareholders frequently seek such information outside normal channels, including questionnaires and shareholder proposals, which creates information asymmetry, raises red flags with regulators over fair disclosure, and results in unpriced risks (Liu & Liu, 2016; Tschopp & Nastanski, 2014).

Along with financial statement information, investors need sustainability information that is decision-useful. Research indicates that more detailed disclosures enhance analysts' understanding and impact investors' decision-making. One study, which appears on Form 10-K risk-factor disclosures— those required by Item 503(c) and Regulation S-K — found that analysts are better able to assess fundamental risks when the firms' risk-factor disclosures are detailed and avoid vague, abstract, or *boiler* language (Schramade, 2016). It also found that the market more readily incorporates detailed information in stock prices, suggesting that such nonfinancial disclosures help investors better assess the firms’ financial statements (Ole-Kristian et al., 2016).

Standardized sustainability metrics, such as those included in the provisional standards developed by the SASB, add material information to the investor's economic calculus for pricing risk, comparing performance, and allocating financial capital (van Duuren et al., 2016). *Socially Responsible Investing* or sustainable investing is an evolving form of finance, and the proliferation of approaches underscores the basic dynamism. What unites these diverse investment approaches— and what ultimately distinguishes them from the broader universe of assets under management in the United States— is the explicit incorporation of ESG issues into investment decision-making, fund management, or engagement activities. Sustainable development has become an ethical response to the historical importance of economic and shareholder value maintained at the expense of people and the environment (Paul, 2008). The following section will elaborate on the chronological development of responsible business and sustainable capital.

Sustainable Development

Sustainable development is an ethical response to the historical importance of economic and shareholder value maintained at the expense of people and the environment (Paul, 2008). In 1972, at the UN Conference on the Human Environment in Stockholm, the challenge of maintaining sustainability in the context of economic growth and development was first brought to the global forefront. In that same year, the renowned book, *Limits to Growth*, published by the Club of Rome, argued forcefully that continued economic growth on the prevailing economic pattern would collide with the Earth's finite resources, leading to a future overshoot and collapse (Sachs, 2015).

Sachs (2015) stated that while 1972 put the challenges of sustainable development on the global stage, the phrase itself was introduced eight years later in an influential publication entitled, "World Conservation Strategy: Living Resource Conservation for Sustainable Development" (1980). This path-breaking publication noted in its foreword that human beings, in their quest for economic development and enjoyment of the riches of nature, must come to terms with the reality of resource limitation and the carrying capacity of ecosystems, and must take account of the needs of future generations.

Its purpose was to help advance the achievement of sustainable development through the conservation of living resources (WCS, 1980). The phrase was then adopted and popularized in the report of the United Nations Commission of Environment and Development, known widely by the name of its chairwoman, Gro Harlem Brundtland (Sachs, 2015). The Brundtland Commission gave a classic definition of the concept of sustainable development, the one which has quoted for the following 25 years: "Sustainable Development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland 1987, p. 41).

The World Commission on Environmental Development (WCED) first presented the basis of sustainability theory in 1987. Benson, Gupta, and Mateti (2010) described sustainability as a three-dimensional standard that incorporated stakeholder, environmental, and economic values. Economists and business theorists have identified various key concepts in the theory, including environmental stewardship, stakeholder engagement, corporate strategy, and organizational efficiency (Makipere & Yip, 2008; Tang et al., 2011).

The implementation of sustainability and the stakeholder theory, as prescribed by Freeman and Dmytriyev (2017), involves the integration of the community and organizations in a mutually beneficial environment (Mathaisel & Comm, 2011; Mitleton-Kelly, 2011). The application of this theory is a type of economic development that preserves and protects the environment while ensuring financial stability amongst various key stakeholders (WCED, 1987).

Modern Sustainable Development. During the last one hundred years, global population has quadrupled to 6.4 billion and global economic output, as measured by

GDP, grew more than 20-fold (Krausmann et al., 2009). Due to this growth ratio, climate scientists have overwhelmingly agreed that humans are causing recent global warming. The consensus position is articulated by the Intergovernmental Panel on Climate Change (IPCC) which stated that human influence had been the principal cause of global warming since the mid-20th century (Qin et al., 2014, p. 17).

A modern and holistic approach to sustainable development emerged in the early 21st century, clarifying and defining more clearly exactly what sustainable development was, and was not. Escobar and Vredenburg (2011) witnessed the advent of a distinctive alignment of the economy, environment, and corporate strategies involving people. Sustainable development comprises the protection of the environment while maintaining corporate profitability (Escobar & Vredenburg, 2011). Stakeholder theory, applied to the focus of this study, supports the foundation of economic prosperity among shareholders, investors, and society at large, in alignment with integrated reporting. Adhering to a sustainability program or framework, such as an integrated reporting methodology and mandate, is advantageous for economic viability. While corporate sustainability recognizes that corporate growth and profitability are significant, it also requires the corporation to pursue societal goals, specifically those relating to sustainable development: environmental protection, social justice, and equity, and economic development (Sachs, 2015).

The concept of sustainable development was a response deciphering the importance of economic and shareholder value at the expense of people and the environment, a radical departure from the financially focused metrics used by corporations to measure performance, preceding it (Paul, 2008). The international concept of sustainable development at the Rio Earth Summit in 1992 was widely adopted (Sachs, 2015). One of the key principles of the Rio Declaration was that "Development today must not threaten the needs of the present and the future."

Over time, the definition of sustainable development evolved into a more practical approach, focusing less on intergenerational needs and more on the holistic approach linking economic development, social inclusion, and environmental sustainability. Benson et al. (2010) described this phenomenon as a three-dimensional standard that incorporates stakeholder, environmental, and economic values. Authors have contributed sustainability as a core function of corporate operations and development. This concept is flexible and allows organizations to customize the triangle to best suit the firm’s agenda. (Boerner, 2010; Smith & Sharicz, 2011; White, 2009).

In 2002, at the UN World Summit on Sustainable Development (WSSD) in Johannesburg, the WSSD Plan of Implementation spoke of “the integration of the three components of sustainable development— economic development, social development, and environmental protection— as interdependent and mutually reinforcing pillars” (World Summit on Sustainable Development, 2002, p. 2). The concept of intergenerational justice remains but is now to the emphasis on holistic development that embraces economic, social, and environmental objectives. This three-part vision of sustainable development emphasized again on the 20th anniversary of the Rio summit—produced the final document for the Rio +20 summit (“The Future We Want”), the aim of sustainable development read:

> We also reaffirm the need to achieve sustainable development by: promoting sustained, inclusive, equitable economic growth, creating greater opportunities for all, reducing inequalities, raining basic standards of living; fostering equitable social development and inclusive; and promoting integrated sustainable of natural resources and ecosystems that supports inter alia economic, social and human development while facilitating ecosystems conservation, regeneration and restoration and resilience in the face of new and emerging challenges (UN General Assembly, 2012, para. 4)

The proposition of such a model is to spur economic development that preserves and protects the environment while ensuring financial stability as the original conference had identified (WCED, 1987). Overall, the 19th century was primarily concerned with wealth creation at the expense of people and the environment (Paul, 2008). As corporations included the New Age principle into the operations, sustainable development began to embrace the protection of the environment while maintaining corporate profitability (Searcy, 2011).

The future of the integration of the three pillars can also align with the necessary condition for integrated thinking, which takes into account the connectivity and interdependencies between social, environmental, and financial actions and its impacts (Bouten & Hoozée, 2014). The dialogue of reporting on the intricacies of each pillar became a voluntary method by business leaders and a pillar within the current approaches to stakeholder theory. In the development of sustainability and the evolution of integrated thinking, theorists have identified numerous concepts to apply to the stewardship of the environment as well as the corporate strategy that underpins the goal of financial profitability. Most CSOs and their executive suites align with the intrinsic motivations of an organization. However, history has proven otherwise in certain circumstances. Regarding the potential negative impact, unethical organizational activity is one of the most significant issues faced by managers (Schneider, 2015).

Integrated thinking and responsible business practices promote an environment to achieve transparency in management activities, ethical or unethical. CSR initiatives are critical in enhancing an organizational image and legitimizing leaders’ actions (Rodríguez-Bolívar, Garde Sánchez, & López-Hernández, 2015). Freeman’s definition of stakeholders— “any group or individual who can affect or is affected by the achievement of the organization's objectives” (1984, p. 46)— suggested a two-way relationship between an organization (or its management) and its stakeholders. His definition suggests, both, the possibility of an instrumental posture towards stakeholders on the part of the organization (to maximize its performance) and the possibility of a normative obligation to stakeholders on the organization’s part. In this sense, the normative and multi-fiduciary approach to the stakeholder theory suggests that managers have a moral duty towards all stakeholders and should be satisfied in the same way (Evan & Freeman, 1988).

Additionally, challenges in implementing ethical behavior is a critical component of an organization's leadership ability. The central idea of doing good generates controversy from rival moral justifications (Eabrasu, 2012). Recent high-impact ethical scandals in several industries have aroused public concern, which led to the research into defining ethical behaviors and ethical leadership, and the further constructs of sustainable practices (Eisenbeiss, 2012). The continued interest from stakeholders alike has led to the promotion of disclosures and transparency in the form of an integrated report addressing all facets of ESG indicators.

In summary, the integration of ESG is a by-product of sustainable development as an ethical response to the historical importance of economic and shareholder value maintained at the expense of people and the environment (Paul, 2008). Research conducted by Escobar and Vredenburg (2011) uncovered the alignment of the economy, environment, and corporate strategies involving people. Sustainable development ultimately comprises the protection of the environment while maintaining corporate profitability (Escobar & Vredenburg, 2011.) The proposition of this model is to spur economic development that preserves and protects the environment while ensuring financial stability for companies (Escobar & Vredenburg, 2011; Paul, 2008; Sachs, 2015).

Evolution of Integrated Reporting

The world's first guidance document for companies practicing integrated reporting issued on January 25, 2011, was at a press conference held at the Johannesburg Stock Exchange. With only several stock exchanges addressing nonfinancial measures, this was the global standard setting for nonfinancial reporting (Eccles & Kruz, 2010). To add to the importance of the guidance provided by the exchange, the Board mandated integrated reporting for public companies as of March 2010. The definition of an integrated report is a single document that presents and explains a company's financial and nonfinancial—ESG— performance.

Mervyn King, a professor at the University of South Africa, wrote a report that catalyzed the movement and supported the need for organizations to produce an integrated report connecting sustainability information and financial information in one format (Eccles & Kruz, 2010). The King III report was produced to sustain South Africa's leadership in the standards and practices of corporate governance. It also reflects the country's intention to be at the forefront of governance internationally, as the report further asserts,

> We believe this has been achieved because of the focus on the importance of conducting business reporting annually in an integrated manner, i.e., putting the financial results in perspective by also reporting on how a company has, both positively and negatively, impacted on the economic life of the community in which it operated during the year under review; and how the company intends to enhance those positive aspects and eradicate or ameliorate the negative aspects in the year ahead (King III Report, p.1)

The birth of the integrated report became an apparatus for forward-thinking. The integrated report provided information on both financial and nonfinancial performances, and it exhibited the relationship between financial and nonfinancial performances and how these interrelated dimensions, create and destroy value for shareholders and other stakeholders (Owen, 2013).

Financial reporting provides mostly information on financial performance and risk, these being, however, insufficient though for carrying out the reasoning for qualitative decision-making processes. For this reason, it is essential, on the one hand, to develop new, more condensed and wide-ranging reporting practices, taking into account a significantly diverse nature of stakeholders' information needs, and on the other hand, to perform an integration of financial and nonfinancial factors so as to achieve a more accurate determination of organizational value (Chersan, 2015).

Another method to approach corporate performance measurements was developed in 1992 by Kaplan and Norton and defined as the balanced scorecard (BSC). Researchers suggested the need to adopt a strategic BSC model for environmental indicators together with the rest of the management indicators of an organization (financial and nonfinancial, internal and external, and quantitative and qualitative), and more importantly to connect these indicators with the company's goals and strategies. This structure combines balanced and coherent measures of different kinds bound to long-, medium- and short-term goals and provides a global overview of the organization and its strategy, acknowledging the level of achievement for established goals and analyzing the causes that led to the results obtained (Hansen & Schaltegger, 2016).

Kaplan and Norton (2001) identified that the BSC outlined the vision, mission, and strategy of the organization through goals, measures (or indicators) and aims, and different initiatives organized around four perspectives:

1. Customer: Satisfying customers' needs is a priority for the management; hence this perspective should be constituted by measures or indicators related to the different factors that are considered important by the customers.
2. Internal business processes: These refer to the identification of the critical processes on which the company must be successful, and that should originate impacts at satisfactory levels for customers and the company’s financial profitability. So, they include indicators related to the costs, quality, and life of processes.
3. Learning and growth: The improvement and growth of the organization require investment in the continuous training of workers and the development of the skills and abilities necessary for the achievement of its goals. So, this perspective includes indicators to measure the current level of the organization engaged in training and innovation activities, as well as the results obtained with them over time.
4. Financial: This refers to the financial results of the organization’s different actions.

In response to the challenges to keep up with an ever-changing environment, a set of procedures and principles needs to be developed to improve governance. One of the most salient/notable achievements is to strike a balance between the two basic dimensions of governance: the compliance dimension and the performance dimension (Aly & Mansour, 2017).

The performance dimension aims to achieve efficient use of company resources and value creation. The achievement of this dimension requires a set of operations which includes strategic planning, strategic decision-making, performance measurement and evaluation, strategic risk management, and continuous improvement. The compliance dimension focuses on abiding by legal and organizational regulations and aims to achieve accountability and reliability.

According to researchers of previous studies, the board’s BSC framework consists of four dimensions: financial, stakeholders, internal processes, and learning and growth dimension (Kaplan & Norton, 2001). Aly and Mansour (2017) expanded the frame of this scorecard by adding a fifth dimension, *the environmental and social dimension*, to reflect the environmental and social performance of the board to complete the evaluation process to reach the balanced and sustainable performance. Three study groups agreed upon the suggestion that the proposed method is considered an effective tool for evaluating the performance of the corporate boards (Aly & Mansour, 2017).

As in integrated reporting, according to the IIRC, researchers presented the different possibilities for the integration of environmental issues into the BSC, not only in the private sector but also in the public sector and emphasized the need to adapt its original model to public entities. The assumption of environmental responsibility by companies is increasingly apparent in the integration of environmental variables into their management processes, and a growing number of companies are adopting a proactive approach to sustainable development and formulating environmental strategies that seek the continuous improvement of their environmental performance.

According to Atkinson (2006), the BSC, subject to the adoption of suitable processes, can address the key problems associated with strategy implementation, including communication, the role of middle managers, and integration with the existing control systems. Likewise, the role of management indicators and the possibility of integrating the BSC have caught the special attention of researchers in the field of environmental management (Aly & Mansour, 2017).

Furthermore, the conceptual framework for the research within this literature review namely, the stakeholder theory, theorist posited that the essence of business in the context of CSR primarily lies in building relationships and creating value for all its stakeholders inclusive of wealth creation and social and environmental benefits (Chan et al. 2014; Freeman & Dmytriyev, 2017) These perspectives should be integrated, and there should be a balance between the level of importance of ESG so that its analysis provides a systematic vision of the company that suits the development of strategic management. Besides, for each perspective, it is necessary to identify the key indicators as well as the cause-effect relationship that explain how to obtain better results, so that all the indicators interrelate (Kaplan & Norton, 2001). Despite the current trends within the social and environmental responsibility and its relationship with the financial performance, the economic theorist, Milton Friedman, made impactful commentary on the sole purpose of corporations as mere profit havens for shareholders. Excerpts from his widely published argument are as follows:

> The businessmen believe that they are defending free enterprise when they declaim that business is not concerned "merely" with profit but also with

> promoting desirable "social" ends; that business has a "social conscience" and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers…. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom. The discussions of the "social responsibilities of business" are notable for their analytical looseness and lack of rigor. (Friedman, 1970, p.46)

According to early research conducted by Bowie (1982) philosophers were critical of the classical view of Milton Friedman (the purpose of the corporation is to make profits for stockholders); the consensus view had a lot in common with Friedman (Bowie, 1982). The heart of the neoclassical view was that the corporation was to make a profit while avoiding inflicting harm. In other formulations, the corporation was to make a profit while (1) honoring the moral minimum or (2) respecting individual rights and justice. Tom Donaldson arrived at a similar neoclassical description of the purpose of the corporation by arguing that such a view comes from the social contract that business has with society (1989).

Stakeholder theory, the conceptual framework for this study, does seem to represent a major advance over the classical view. It might seem inappropriate to refer to the stakeholder’s position as neoclassical or argue that the job of the manager was to maximize profits for stockholders, but Freeman argued that the manager’s task was to protect and promote the rights of the various corporate stakeholders. Stakeholders, as defined by Freeman, are members of groups whose existence is necessary for the survival of the firm-stockholders, employees, customers, suppliers, the local community, and managers, themselves. Bowie (2017) stated in his research that despite the vast increase in the scope of managerial obligations, a Friedmanite might try to bring the stakeholder theory under his or her umbrella. However, the managers must worry about the rights and interests of the other corporate stakeholders. In practice, if a manager does not monitor his staff, these other stakeholders will not be as productive, and profits will fall. A good manager is concerned with all stakeholders while increasing profits for stockholders.

In the Friedmanite view, the stakeholder theorist does not give us an alternative theory of social responsibility, rather he or she reminds us how an enlightened Friedmanite, as opposed to an unenlightened one, is supposed to manage (Donaldson, 1989). Bowie (2017) continued to explicate that the unenlightened Friedmanite exploits stakeholders to increase profits. Although that strategy might succeed in the short run, the morale and hence the productivity of the other stakeholders’ plummets and, as a result, long-run profits fall. To protect long-run profits, the enlightened manager is concerned with the health, safety, and family needs of employees, a no-question-asked return policy, stable long-term relations with suppliers, and civic activities in the local community. In this way, long-run profitability is protected or even enhanced. In the classical view, the debate between Milton Friedman and Ed Freeman is not a debate about corporate ends but rather about corporate means to that end (Bowie, 1991).

In light of these varying theories, integrated reporting is expected to change the emphasis in corporate financial reporting from the short-term value created for shareholders to the long-term value created for all stakeholders. Managers utilizing reporting measures can also show greater clarity within the relationships and commitments between corporations and their constituents, including deepening engagement with all stakeholders, lowering reputational risk, helping managers make better decisions, hiring better people, and having a stronger corporate culture. Annual reports are a good place for ESG information disclosure because annual reports attract a broader audience than sustainability reports (Dumitru & Jinga, 2015). However, as the investment community has requested SEC regulation can do a better job requiring material ESG factors be mandated. As compared to 30 years ago, there is an abundance of ESG data available today. However, because this information is on a voluntary and unregulated basis, it tends to be inconsistent, disparate, and difficult to find. As a result, the process of accessing and normalizing data so that it is comparable from period-to-period and company-to-company is highly inefficient. For these reasons, the SEC can mandate a uniform reporting framework that includes specific and material ESG issues for all registrants. Herein, my research question poses: What strategies do CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders?

Gaining organizational legitimacy, as well as restoring lost confidence, is accomplished mainly through complete financial, regulatory, and environmental disclosures in the financial statements of publicly traded companies. Any corrective actions that target sustainability performance cannot be made public and validated except by going through a reporting process with all stakeholders, destined to improve its audiences’ perceptions. This is a common ground for both legitimacy theory and stakeholder theory, considering that both emphasize the strategic potential of corporate disclosures, especially those included in annual reports (Dragomir, 2010; Dumitru & Jinga, 2015).

A new reporting paradigm envisioned by researchers is an integrated international reporting protocol, whereby economic, social, and environmental issues are integrated to provide a more holistic view of business performance, ensuring that ethical responsibilities are at the forefront of business activity. While not specifically focused on ethical issues, integrated reporting undoubtedly addresses business ethics and ensures that corporate activity is cognizant of all aspects of business performance, rather than a simple financial focus (Mullins & Schoar, 2016). While some companies do provide such information outside of their required SEC filings, that information frequently does not address the investor needs sufficiently. Investors require clear, consistent, comparable, complete, and reliable information. Without an externally imposed standard or reporting requirement(s), companies have full discretion over what information they disclose and how they present that information (Mullins & Schoar, 2016). As a result, the information can be hard to find, take numerous forms, and/or may fail to provide the specific data points that the investors seek.

Further, because such disclosures are voluntary, the insurance of the investors regarding accuracy not as inherent as it is for the security filings. To address these shortcomings and data gaps, the authors cited within this literature review provides anecdotal and empirical support to the importance of directly engaging with companies to encourage increased transparency (Milne & Gray, 2013; Shoaf et al., 2018). These engagements can often result in increased disclosure, but the process is highly inefficient, expensive, and does not result in the comprehensive, comparable, and externally-verified information that the investors demand. Both scholars and professionals strongly support integrated reporting as described in multiple case studies and white papers, produced by leading financial institutions. To effectively manage sustainability risks, integrating material ESG considerations into a company's corporate strategy and performance are critical. Coalescing the reporting of the data related to these considerations into the traditional financial report would bolster that critical connection (Epstein & Rejc-Buhovac, 2014).

Furthermore, CSOs of publicly traded companies are aware that the reporting requirements of any kind can require significant resources. However, given the growing demand for this type of information from the general investing community, the growing body of academic work linking the management of material ESG issues to positive financial outcomes, and the broad, positive, and social impact that reporting such information would likely bring about, there are strong linkages that the benefits of such disclosure outweigh its costs (Odell et al., 2016).

International Reporting Frameworks

Business leaders in the 21st century face new and evolving challenges. In addition to traditional financial considerations, today's competitive landscape characterizes sustainability risks and opportunities— ESG-related factors— that materially affect business outcomes (Friede, Busch & Bassen, 2015; Ole-Kristian et al., 2016). In the absence of a market standard for capturing and reporting performance on these issues, companies are challenged to manage them effectively, investors struggle to understand their impact on risk and return, and markets can't efficiently incorporate them into the prices of securities. The lack of measurable impact metrics cannot create effective management protocols; Therefore, SRTs (i.e., SASB, GRI, IIRC) illuminate material risks and opportunities, providing a long-awaited solution that can support the strategies needed for modern-day CSOs to achieve financial outperformance with the integration of nonfinancial indicators. Organizations, such as the Sustainability Accounting Standards Board (SASB), have developed industry-specific standards that help companies identify, manage, and disclose their performance on material sustainability-related matters in a way that is cost-effective and useful for investors while making decisions. This assists companies in focusing their resources on managing performance on material issues that drive value creation. The standards also help investors to understand their exposure to financial material sustainability-related risks within their investment portfolios.

What gets measured gets managed. This is why sustainability reporting tools (SRTs) and standards, such as those set forth by SASB, are designed to help companies measure, manage, and disclose material sustainability information. The standards represent a response to rising market demand and are the result of many years of intensive research and stakeholder dialogue. Akin to the stakeholder theory, this posits a transition from divided voice to equal voices for all stakeholders (Chabowski et al., 2011; Freeman, 2010). Corporate issuers face increasing numbers of sustainability-focused shareholder resolutions, spend inordinate resources filing out sustainability-related questionnaires, and produce expensive sustainability reports of dubious value to the investor community. Meanwhile, investors are buried in an avalanche of immaterial and non-comparable information and must rely on purchased sustainability data and ratings of questionable quality and limited comparability. Due to this communication breakdown, information asymmetries occur, and markets fail to accurately price sustainability-related risks. To address the disconnect, the SASB and other organizations take an approach that is transparent and inclusive, aiming to balance the needs of investors and issuers. Thus, the integration of sustainability standards represents a market solution to a market problem (Cheng, Green, Conradie, Konishi, & Romi, 2014).

Researchers have developed a growing body of academic research, providing ample evidence so that it is possible to do well for society without relinquishing competitive rates of return in public markets. For example, one significant study found a non-negative relationship between investing along ESG factors and corporate financial performance in around 90% of the more than 2,000 empirical studies conducted between

1970 and 2014 (Friede, Busch & Bassen, 2015). Empirical evidence reported by researchers suggested that shareholder engagement leads to positive social, environmental and, financial outcomes. Of the 779 climate-related shareholder proposals in the Ceres Resolution database filed from 2013 to 2017, 36% were withdrawn, following a successful agreement between investors and the company. For those that went to the shareholder vote, 25% of shareholders on average, backed the engagement suggestions. And successful shareholder engagement on ESG factors has been shown to deliver positive cumulative excess returns of over seven percent in the year subsequent to shareholders and management reaching an agreement, according to a study on active ownership (Dimson et al., 2016).

In response to the challenge of providing a more holistic picture within sustainability reports in 2010, the GRI and the Accounting for Sustainability (A4S) Forum, sponsored by the Prince of Wales, jointly formed the IIRC to develop integrated reporting. This new reporting practice supports many authoritative sources (KPMG International, 2013). Advocates of integrated reporting (e.g., SASB, GRI, IIRC 2013) aim to change the condition where financial and nonfinancial information is accounted for in isolation from each other towards integrated thinking (Cheng et al., 2014), enabling integrated reporting to become the corporate reporting norm. In contrast to stand-alone sustainability reporting, integrated reporting, thus, explicitly links material issues to the organization’s financial performance (Bouten et al. 2015).

Authors of stakeholder theory posit that investors are a key criterion for assessment. The links to financial performance are abound in research journals (Siew et al., 2015; Bouten et al., 2015; Brown & Dillard, 2014). The focus is no longer simply on collecting *data points*, but the investment community has also been considering the nature of the investment they are making, and the return that they are earning and how much of that return is economic and quantifiable (Bouten et al., 2015). The metrics on which the SASB focuses on are concentrated on measuring and quantifying investment and return on economics, environmental performance, and impact reduction. They have started to acknowledge that the purposes of sustainability and integrated reporting are currently diverging, companies have a need for a standard to guide their efforts. More specifically, integrated reporting is evolving toward a narrower focus on (financial) value creation for the shareholder (as opposed to all stakeholders) due to the involvement of the IIRC (Brown & Dillard 2014; Cheng et al., 2014; de Villiers, Rinaldi, & Unerman, (2014).

Adoption of Sustainability Reporting Tools (SRTs)

Sustainability reporting has been increasingly adopted by corporations worldwide which have given the demand of stakeholders greater transparency on both environmental and social issues. The popularity of such reporting is evidence in the development of a range of tools in the last two decades, including the GRI, AA1000, and Carbon Disclosure Project (CDP), SASB, and integrated reporting (<IR>). These tools, referred to collectively as corporate SRTs, are important as they serve to inform the progress of corporations towards achieving sustainability goals. In order to gauge how a corporation is doing with respect to sustainability, it should be measurable (Cegarra-Navarro et al., 2016). An important tool in measuring competitive performance and aiding in decision-making, the SRTs are more readily recognized by Fortune 500 companies. The management teams of these large organizations can identify and scope measurable goals, from inserting inputs and outputs in a range of activities within their operations and supply chain.

Successful integration of systems thinking within organizations enables change management with the help of information systems and technology (Hobday, Prencipe, & Davies (2003); Leidner & Kayworth, 2006). According to Freeman and Dmytriyev (2017), the composition of those stakeholders who have access to enabling systems and utilizing technology includes owners, investors, employees, customers, communities, and suppliers. Despite a company's industry or business model, all stakeholders deserve an equal voice in the assessment of organizations. (Chabowski et al., 2010; Freeman, 2010). The need for research in this area is growing in importance. Trends indicate annual sustainability and financial reporting becoming one integrated report (Eccles & Serafeim, 2013; Eccles & Krzus, 2014), with greater reliance on organizational systems to support this reporting. Authors have found in prior research that sustainability reporting and organizational change management for sustainability have reciprocal and reinforcing relationships among all stakeholders (Boiral, 2016; Ole-Kristian et al., 2016).

Evidence, as depicted by researchers, has shown that the adoption of sustainability and CSR protocols and their integration into corporate financial reporting creates superior financial performance for corporations (Friede et al., 2015). GRI users have, on average, lower share price volatility and better operating profit margins (Finch, 2015; Siew, 2015.) This could be driven by a lower cost of equity and more accurate analysts' forecast as a direct result of more transparency. In an empirical study consisting of Australian companies, Siew et al. (2015) showed that select companies that issue nonfinancial reports or use integrated financial reporting largely outperform those who do not, in a number of financial ratios. Lozano et al. (2016) found that sustainability reporting drives changes in organizations, data, performance metrics, strategy, reputation, stakeholders, and even the next reporting cycle. While many organizations' managers have developed their financial and sustainability reports in parallel, integrated performance reporting is becoming an area of opportunity (Eccles & Krzus, 2010, 2014; KPMG, 2010; KPMG, 2012) that extends well beyond large multinationals. However, this reporting requires further scrutiny as Stacchezzini, Melloni, and Lai (2016) have perceived bias in the emerging field of integrated reporting.

All participants and shareholders have an equal voice according to Freemans's stakeholder theory, and this relates to the research of Verschoore, Wegner, & Balestrin (2015) in which they stated that agencies had created vehicles for reporting both financial and nonfinancial terms for all those involved. However, the phenomenon has become challenging in the modern business environment. Global supply chain, international logistics, liability and legality constraints and mandates, and the ever-changing regulatory bodies and local factions have led to a growing complexity for organizations and consequently, a need to identify and develop a harmonized standard for reporting sustainability initiatives and operations (Cegarra-Navarro et al., 2016; SASB, 2018). Other factors to include in the ongoing challenges are the growing popularity of corporate responsibility reporting and the expanded definition of a company’s stakeholders

(Verschoore et al., 2015). One of the main problems with current corporate SRTs is the clear lack of standardization, both, in terms of criteria and methodology proposed. (Cegarra-Navarro et al., 2016; SASB, 2018). This gives rise to difficulty in comparing and benchmarking the sustainability performance of corporations.

Exploring the possibility of inter-linking different sustainability criteria, Lozano and Huisingh (2011) observed that a majority of the frameworks and standards address sustainability criteria through compartmentalization, that is separating economic, environmental, and social criteria. They argued that as a result of this divisive approach, sustainability efforts are not properly integrated. The simultaneous pursuit of economic and social responsibilities results in higher financial performance, according to some research (Cegarra-Navarro et al., 2016). Companies' leaders with the capacity to innovate can respond to environmental challenges faster and better than companies that are not able to innovate. Organizations and management researchers have also increasingly focused on the importance of CSR, both, in terms of the concept itself and the outcomes that flow from its adoption (Freeman & Dmytriyev, 2017). In this context, CSR refers to situations where companies integrate social, economic, and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Companies are engaged in a wide variety of different types of social activities, such as actions taken to address the concerns of environmental interest groups and the communities within which they operate (Perrini, 2005).

Additionally, companies' managers track the actions of their respective firms that ensure fair treatment of employees (Weber, 2008), or providing support for arts and cultural programs (Blakely & Aparicio, 1990). For example, while the social dimension of sustainable development deals with the impact that the organization may have on social systems in which it operates, the economic dimension of sustainable development refers to impacts that the organization may have on the economic conditions of its stakeholders and on economic systems at local, national, and global levels (GRI, 2011). While achieving economic objectives and taking responsibility for the actions of the firm, this also involves ensuring the company's profitability; achieving social objectives may well involve donating services to community organizations, engaging in projects to aid the environment or donating money to charitable causes, namely, actions that may compromise the achievement of economic objectives.

In summary, a large number of sustainability or public policy issues are considerations in both investment and proxy voting decisions. Notable topics of importance include the following: racial and gender diversity at the board, executive and workforce-level, corporate tax strategies, effective and accurate tax rates, and supply chain management within toxic uses, water, and labor issues. Climate change is exacerbating a large number of related risks ranging from sea level rise to water scarcity, to social inequity. Without comprehensive disclosure around how company managers are mitigating their direct carbon footprint and managing their broader climate-related risks, investors cannot address these risks adequately. Anthropogenic climate change has emerged as the defining challenge of our generation. Based on a growing body of scientific evidence, corporation’s executives face an enormous task of decoupling GHG emissions and economic growth. Companies’ managers that do not meet this task will likely suffer financial consequences. For this reason, companies believe the importance of mandatory reporting is evident.

Integrated Bottom Line (IBL)

Sroufe (2017) identified drivers, enablers, evaluation methods, and change management practices for corporate social, environmental, and financial initiatives within his research. He utilized multiple coders, and an analysis of responses to structured interview questions, and determined how sustainability professionals influence the alignment of sustainability goals, mission, and values at leading organizations. Scholarly contributions in his research included insight into how top-performing companies manage change involving social and environmental responsibility. The key findings included integration as a systems-based approach to sustainability, change management, innovation, and corporate strategy. Integration takes place through the alignment of performance metrics within and across business units and functions with a call for IBL performance measurement throughout organizations and value chains to inform management decision-making, transparency, and external reporting. Predictions are that integration and change management is the critical success factor for the advancement of strategic sustainability initiatives (Stroufe, 2017).

Aligning Stroufe's (2017) research and Freeman's stakeholder theory (1988) provided the foundation for sustainable economic development and the transition to a sustainable society. However, the language involving sustainability, organizations, and initiatives is confusing, according to Broman and Robert (2017). The authors gathered insight from sustainability practitioners who play central roles in operationalizing strategic initiatives and performance reporting (Broman & Robert, 2017). The level of *integration* is an often-overlooked sustainability construct in management systems and change management design (Lozano et al., 2016) and, as such, presents opportunities for scale development and further empirical validation. While the extent of integration will vary by organization, Broman and Robert (2017) posited that integrated organizations and management systems would perform better than nonintegrated organizations and systems.

Further support for sustainability integration and performance relationships comes from Rebelo, Santos, and Silva (2016). Challenged by the expanding management of sustainability initiatives, organizations are continuously updating their environmental management systems (EMS) and information system functionality to quantify actions and costs. This integration of sustainability into management systems is not new. Early attention to systems was devoted to how corporate EMS grew out of removing waste while improving quality (Corbett & Kirsch, 2001; Miles & Russel, 1997). Researchers suggested that large organizations have managers and management systems ready for capturing data involving sustainability practices, financial performance, and change management (Rebelo et al., 2016). Given the pace of change in technology and performance measurement, many organizations may be missing an opportunity to better leverage emerging sustainability opportunities, integrate company-wide risks, enhance decision analysis, and enable a more dynamic approach to measuring, managing, and reporting their overall performance. Corporate sustainability officers use SRTs (i.e., SASB, GRI, IIRC) to illuminate material risks and opportunities, providing a long-awaited solution that can support the strategies needed for modern-day CSOs to achieve financial outperformance with the integration of nonfinancial indicators.

Theoretical Frameworks

Stakeholder theory. The conceptual framework utilized in this study, stakeholder theory, closely aligns with the strategies set forth by investors demands. Whether or not investors consider ESG issues when they select their portfolios, they can use shareholder strategies to bring these issues to the attention of management (Barnett & Salomon, 2012). The rising levels of support in the last decade for shareholder resolutions on an array of environmental, social, and corporate governance issues highlight the importance that active asset owners place on CSR and corporate governance (Delmas & Toffel, 2008; Epstein & Rejc-Buhovac, 2014).

The goals of most SRTs is to provide a starting point for an ongoing dialogue with the broad spectrum of market stakeholders regarding sustainability disclosure and how it can benefit investors, issuers, and the markets at large (IIRC, 2013). However, studies highlighting Freeman's stakeholder theory (1984) opined that a primary concern within stakeholder management is the order of priority among the diverse categories since not all stakeholders have the same level of strategic importance for the organization (Carroll, 1996; Clarkson, 1995; Donaldson & Preston, 1995). SRTs may not be equipped to identify the importance of each stakeholder accurately. In this occurrence, the needs of nonpriority stakeholders do not have to be satisfied by managers since they are not strategic for the organization, according to some research (Carroll, 1996; Clarkson, 1995; Donaldson & Preston, 1995). Contrasting to the alignments toward corporate responsibility and equal voice once described in Freeman's pioneer works, authors have distinguished the theory by amending the construct to include *orientation*. In this sense, stakeholder orientation is a strategic behavior aimed at managing and engaging stakeholders for, both, opportunistic and moral reasons, as described in the model by Svendsen (1998) and Waddock (2002). Additionally, Mitchell et al., (1997) proposed a framework that categorized stakeholders in terms of power, legitimacy, and urgency so that the more of these attributes a stakeholder has, the more salient the stakeholder is, in terms of managerial attention.

Ethical theory. In an open and free market environment, there is a requirement to communicate stakeholder theory, without creating an opportunity for deception or fraud in reaching profitability (Mullins & Schoar, 2016). Within the implementation of the ethical theory, leaders can create ethical norms, which determine the moral (or immoral) behaviors accepted by the group (Dinh et al., 2014). The challenge of integrating the ethical perspective of CSR with the managerial perspective of the stakeholder theory is due to motivation (Kim, Park, & Wier, 2012). Intrinsic motivators arise from feelings, as well as duty-bound obligations. For example, intrinsic motivators can drive managers to produce high-quality financial reports (Kim et al., 2012). Boztosun and Aksoylu (2014) found a significant relationship between CSR and earnings quality and higher profitability. The reporting mechanisms and strategies used to disclose the quality of these earnings can be the mere motivators, not the intrinsic value they are creating. Positive future corporate earnings forecasts bolster stakeholder trust in CSR firms and relate directly to managerial behavior and priorities because investors are paying for the present value of future cash flows. Stock prices will propel if investors are expecting higher future earnings (Kim et al., 2012).

In contrast, and perhaps as a direct consequence of unethical activity, social responsibility is gaining a reputation by stakeholders as a requisite for organizations due to its positive impact, and it is considered equally as important as a strategic management tool for profit maximization (Schneider, 2015). Contrasting viewpoints may generate some debate about extrinsic motivations being stronger than intrinsic motivations (Tsai et al., 2012). The inquiry from various stakeholders has regarded whether the assurance of these disclosures bares an additional need for research. However, the current lawmakers within the US are striving to ascertain and regulate these disclosures to ensure ethical responses and key performance information are true.

Stakeholder theory, applied to the focus of this study, supports the foundation of economic prosperity among shareholders, investors, and society at large, in alignment with integrated reporting. Adhering to a sustainability program or framework, such as an integrated reporting methodology and mandate, is advantageous for economic viability. While corporate sustainability recognizes that corporate growth and profitability are significant, it also requires the corporation to pursue societal goals, specifically those relating to sustainable development: environmental protection, social justice, and equity, and economic development (Sachs, 2015).

Dynamic capability theory. Another complimentary theory, the dynamic capability theory (DCT) can also depict an organizations ability to create both short and long term value by implementing an agile and fortuitous strategic approach to business.

Teece, Pisano, and Shuen (1997) described the DCT as competence in the face of ever changing environmental externalities. Two essential elements consist within the construct; the ability to regenerate faculties within the organization to create short-term economic positions, and to utilize those proficiencies for long-term competitive advantage. When faced with new challenges Teece et al. suggested three dynamic capabilities necessary to porgress in today's environment (a) reprosess of existing assets which have depreciated, (b) technology integration and feedback loops for customer experineces used for processis refinement and, (c) employee traning programs to create efficiency amoung staff. These dymanic create aligility accotridng to Teece et al. when successfully implemented. In order for an organization to sustain itself, according to DCT, it will require the development of social and entrepreneurial capabilities from its managers; this will include the use of informational technology and the documentation of such activities to various stakeholders (Argote & Ren, 2012). The goal of such theory is to assimilate to the future strategies based on environmental changes and reconfigure resources to enhance the company and create competitive advantage.

Milton Friedman's social responsibility theory. Contrastingly and despite the current trends within the social and environmental responsibility and its relationship with the financial performance, the economic theorist, Milton Friedman, made impactful commentary on the sole purpose of corporations as mere profit havens for shareholders. According to early research conducted by Bowie (1982) philosophers were critical of the classical view of Milton Friedman (the purpose of the corporation is to make profits for stockholders); the consensus view had a lot in common with Friedman (Bowie, 1982).

The heart of the neoclassical view was that the corporation was to make a profit while avoiding inflicting harm. In other formulations, the corporation was to make a profit while (1) honoring the moral minimum or (2) respecting individual rights and justice. Tom Donaldson arrived at a similar neoclassical description of the purpose of the corporation by arguing that such a view comes from the social contract that business has with society (1989).

Stakeholder theory, the conceptual framework for this study, does seem to represent a major advance over the classical view. It might seem inappropriate to refer to the stakeholder’s position as neoclassical or argue that the job of the manager was to maximize profits for stockholders, but Freeman argued that the manager’s task was to protect and promote the rights of the various corporate stakeholders. Stakeholders, as defined by Freeman, are members of groups whose existence is necessary for the survival of the firm-stockholders, employees, customers, suppliers, the local community, and managers, themselves. Bowie (2017) stated in his research that despite the vast increase in the scope of managerial obligations, a Friedmanite might try to bring the stakeholder theory under his or her umbrella. However, the managers must worry about the rights and interests of the other corporate stakeholders. In practice, if a manager does not monitor his staff, these other stakeholders will not be as productive, and profits will fall. A good manager is concerned with all stakeholders while increasing profits for stockholders.

Summary

As the stakeholder theory researchers stated, in order to achieve the over-arching goal of profiting from the companies’ operations with all shareholders on level ground, complying with external requests for detailed sustainability information is challenging. Antolin-Lopez, Delgado-Ceballos, and Montiel (2016) emphasized this point by quoting a respondent’s address, “The growth in the number of information requests and the lack of conformity of those requests creates a strong need for a standardized approach to all external organizations” (p.320). Calls for integration included inter-organizational and cross-sector alignment of performance measurement and reporting involving key stakeholders (Antolin-Lopez et al., 2016).

The evolution from sustainable development to fundamental ESG risks have provided a landscape for opportunity. Climate issues, social unrest, governance challenges, geopolitical risks— can all have negative effects on long-term performance if one is not aware of them and actively mitigates the risks posed by them (Milne & Gray, 2013; Shoaf et al., 2018). Evidence has shown that the adoption of sustainability and CSR protocols and their integration into corporate financial reporting creates superior financial performance for corporations (Finch, 2015; Friede et al., 2015; Roselle, 2016). Sustainability practitioners have responded to these drivers by integrating measurement and reporting to better manage and protect brand reputation while working with internal stakeholders across disciplines. Although there is no shortage of environmental indicators, there is a difficulty in deciding on which ones to use and when and how to use them (Hervani et al., 2005). More exploration is needed to identify the strategies CSOs can use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements generating maximum value for stakeholders. Those environmental integration strategies and standardized protocols may become the way forward for disclosures that are regulated and mandated by governments worldwide.

Transition

Section 1 has identified the background of the problem and specified the research necessary to explore strategies CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders. In a review of the literature, I classified themes and processes that enable managers to integrate ESG factors into the financial statements of an organization. Section 2 focuses on the methodology and research design that enables the data collection necessary to discover best practices in sustainability reporting as they impact the financial performance of the public companies. Section 3 discusses the findings as they pertain to business practice and the effects on social change, including the recommendation for future research and practical application of integrated reporting.

Section 2: The Project

In section 2 within this study, I will outline the project while including the following subsections: methodology, description of the project's participants and population, the various data collection tools and my role as the researcher, followed by a thorough analysis and validity of the data.

Purpose Statement

The purpose of this qualitative multiple case study was to explore the strategies that CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders. CSOs of five corporations headquartered in the metropolitan New York region with demonstrated success at incorporating environmental sustainability reporting in their financial statements comprised the sample for this study. The implications for positive social change align with the concept of integrated sustainability reporting. Environmental and social issues such as climate change, water scarcity, and human rights are becoming financial rather than nonfinancial issues. Improving environmental sustainability reporting may provide better access to healthcare, improved communities, employee engagement, increased diversity, ethical behavior, and conduct, as well as environmental stewardship with key efforts on reporting carbon footprints. Reporting on ESG performance can be an essential part of maintaining a social license to operate for global businesses.

Role of the Researcher

Researchers are the primary instrument for data collection in qualitative studies

(Teherani, Martimianakis, Stenfors-Hayes, Wadhwa, & Varpio, 2015) The responsibility of the researcher is to understand the methods, positions, proficiencies, and actions of the participants specific to the research theme (Cinneide, 2015). Furthermore, the I conducted one-on-one interviews to determine the themes of the participant's responses. Interviews were conducted uniformly with each participant. The research questions guided the interview and I did not lead with or by subjective knowledge on the topic. Working in conjunction with the Belmont Report, my responsibility, as the data collector, was to analyze and interpret the findings in an ethical manner. According to Rogers and Lange (2013), participants involved in the data collection are protected and a confidential consent for the responses from them as individuals as well as the organization were completed in accordance to the Belmont Report.

Having spent the last decade working as a sustainability consultant, I brought background knowledge to the topic; however, I kept the participants anonymous through the process and will continue to do so for 5 years thereafter. To avoid bias in the data collection process, I exercised reflexivity and became conscious of my prior understanding of the topic. One way in which a researcher can avoid bias is to bracket previous experiences and set aside the worldviews or pragmatic objectives prior to the start of the interviewing process (Chan, Fung, & Chien, 2013; Kidd, Davis, & Larke, 2016; Tuohy, Cooney, Dowling, Murphy, & Sixsmith, 2013) and consequently not interfering with the outcomes and findings of the collection. I documented the protocols that I used in the interviewing process and performed the investigation rigorously. The systematic approach included sampling, interpretation, and data collection and was dependent on my ability as a researcher.

Participants

The population for this study consisted of CSOs with reporting responsibilities who have been managing ESG factors of a public organization for more than 1 year. A purposive sample of five C-level executives that are directing the sustainability efforts at their respective public company were the participants of the study. These CSOs have worked for companies headquartered in New York, have maintained a global footprint and have a dedicated department focused on CSR and environmental affairs. Public organizations with deep experience in sustainability reporting and the use of leading SRTs will serve as a more rigorous and robust output and therefore will be the approach to requesting consent.

Doody and Noonan (2013) suggested the researcher needs to establish a rapport with the respondent, maintaining eye contact and actively listening without losing the perspective of the research objective. To gain access to participants, I contacted the CSOs after formal institutional review board (IRB) approval. Upon written approval, I accessed the CSOs via email and informed the participants of the purpose of the study. According to Roulston (2013), a researcher can gather more detailed information for their study when utilizing a working relationship and open communication lines with the participants; I began the process by having the participants sign an informed consent agreement and a confidentiality agreement as per the ethical research standards. Building trust as Rowley (2012) suggested created quality responses and transparent answers to the questions posed. Each interviewee was aware of the length, questions, and location of the interview.

Research Method and Design

Research Method

I chose a qualitative research method for my study. According to Delattre et al. (2009), the qualitative method focuses on real-world conditions with subjective meaning. The sustainability of corporations is a contemporary business phenomenon, and qualitative research can uncover trends in thought and opinions and explore the problem in more depth. A quantitative method is applicable when the concentration of the research focuses on observable facts and objective data that can be measured to demonstrate causality (Wahyuni, 2012). The methodology of the study included a strategy of inquiry that directs a course of procedure and a set of processes that can enable a more defined data collection and data saturation. Interviewing CSOs from public companies allowed the researcher to explore in-depth patterns and thematic outlines of each core competencies and strategic reporting policies at each organization.

Quantitative researchers determine the relationship between variables numerically and may not include the reasons for a condition or circumstance (Barnham, 2015). Mixed methods researchers use both quantitative and qualitative methods. The quantitative method was not suitable for this study because I did not generate numerical data that can be transformed into statistics or to explore statistical relationships between variables. My study did not include a quantitative analysis but rather an exploration of a business practice that requires qualitative information, such as experiences and decision-making processes. The methodology provided was the most useful in ascertaining the overarching research question within this study.

Research Design

The research design was a multiple case study. Authors define case study research as the in-depth study of instances of a phenomenon in its natural context and from the perspective of the participants involved in the phenomenon (Gall et al., 1996; Morse & McEvoy, 2014). The study was an exploratory inquiry where the I as the researcher discusses the problem, the methods, the findings, and the conclusions. Case study researchers develop an in-depth understanding of a case or multiple cases from an individual, a small group, or organizations within a real-life, current context or setting to build patterns or explanations of the themes, issues or specific situations (Yin, 2013).

Using the interviewing technique, I drew meaning from instances and develop naturalistic generalizations, themes, and patterns from the study interviews. For these reasons, the multiple case study fit the purpose of this study. Researchers using the qualitative methodology can choose from various designs, including grounded theory, phenomenology, ethnography, narrative, and case study. In grounded theory design, a systematic set of procedures and a simultaneous process of data instills *theory* (Tavakol & Sanders, 2014). The grounded theory design helps to derive a theory in which the researcher or inquirer generates a general explanation of a process or action shaped by the views of many participants (Apramian et al., 2016). Hence, grounded theory design was not apt for this study. A phenomenological design is appropriate to explore participants' lived experiences and to learn about the phenomenon understudy - as the researchers

(2016) explained in their literature, therefore, it does not fit the methods needed to explore the multinational corporations' issues.

Another option that was not suitable for my research was ethnographic design. Researchers use ethnography to focus on developing a comprehensive description of the social behaviors of an entire culture-sharing group that the member has noticeable working patterns (Rashid et al., 2015). This method is interpretive in nature and scholars use it to examine a cultural group’s shared patterns of behavior and language that originated in anthropology (Rashid et al., 2015).

Narrative design involves the researcher engaging individuals to learn about the stories that have influenced their lives. This was not an appropriate method to explore the business issues in sustainability and answer the research question posed in this study. The foundation of the narrative design is an interpretative approach in which the researcher obtains details about feelings, emotions, and processes that researchers may not access by quantitative methodologies (Gill, 2014). The study did not include individual feelings and emotions; therefore, the narrative design was not an appropriate format.

The focus of this study was to explore the contemporary phenomenon of integrated sustainability reporting. In order to investigate this phenomenon, a multiple case study design was the appropriate method of inquiry. When seeking an in-depth understanding of an actual phenomenon while encompassing important contextual conditions, case study design is the preferred method of inquiry (Yin, 2013). The multiple case design includes two or more case studies in which the researcher intentionally tries to test the conditions under which other researchers may duplicate the same findings

(Yin, 2013.)

A multiple case design was most fitting for the data collection I conducted because the thematic constructs that arose from similarly employed CSOs. An integrated report was the subject matter of the research conducted; it provided information on both financial and nonfinancial performance and exhibit how these interrelated dimensions are creating and rescinding value for shareholders and other stakeholders (Bouten & Hoozee, 2015). I selected the multiple case design to reflect on how CSOs solve the critical business application of ESG factors. Using the technique of interviews, I drew meaning from instances and developed naturalistic generalizations from the study.

Population and Sampling

Diversity in data serves as a strong foundation for qualitative research. Each research question must be responded to by a number of participants in order maximize the data collected yet not become repetitive in answers (Gentles, Charles, Ploeg, & McKibbon, 2015; Guetterman, 2015). I used purposeful sampling in the selection of participants for the study. Purposeful sampling involves choosing a small number of material cases most likely to produce a concentrated amount of information needed in a cost-efficient and timely manner (Patton & McMahon, 2014). The research sample comprised of five chief sustainability officers within large publicly traded companies.

A researcher purposively selects the sample that is relevant to the study and has the appropriate expertise to respond in a unique and substantive manner (Guetterman, 2015; Robinson, 2014). In qualitative research sampling, there is no optimal gauge of the number of participants, however, dependent on the sample there must be a heterogeneity that enables a rich data set. The goal is to optimize the number of interviews until no new data or insight is present. (Gentles et al., 2015; Guetterman, 2015; Robinson, 2014). The sample for this study consisted of five CSOs from publicly traded companies headquartered in New York. Researchers must distinguish between sufficient data and substantive data and avoid data saturation and, therefore, allow the major themes to emerge (Brewis, 2014).

Ethical Research

I conducted this research as per the Walden IRB approval and included the number associated with the consent from the organizations. I conducted my research according to the Belmont Report (1979) and included the fundamental tenets of research in the interview with all subject matter experts. The interviews were conducted beneficently and with respect and justice. The research had the potential to contribute to the following: (a) scientific, business, or socially valuable knowledge, (b) protection of the rights and welfare of study participants, and (c) reasonable justification of the risks inherent in the research study that is relative to the potential benefit gained from the study (Denzin & Giardina, 2016; Lee, 2018) Participants were contacted via email and described the intent of the doctoral study. If they chose to participate voluntarily they consented in an executed formal letter. Informed consent is for the purpose of protection of the participants and to allow the researchers to have ample time to evaluate whether the participants will voluntarily contribute to the doctoral study interviewing process (Beskow, Check, & Ammarell, 2014). They could withdraw at any time and were provided transcripts of the interviews. The participants are kept confidential, and the data will be maintained in a safe place for 5 years to protect the rights of the participants.

Data Collection Instruments

For the purpose of this study, I acted as the primary data collection instrument by conducting semistructured open-ended interviews with voluntary participants. The recordings, transcripts, and field notes supported the content quality of the interviews. According to Marshall and Rossman (2016), qualitative data collection can utilize multiple methods such as audio recordings, archival documentation, environment, interviews, and observations all of which enhance the reliability and validity of the data.

Quantitative and qualitative research methods have several differences, such as the means of collecting data and the interpretation of collected data. While quantitative research maintains premium on the number and volume of data collected, qualitative research prioritizes the depth and quality of the data collected. For instance, Anyan (2013) posited that quantitative research methods are interested in numerical expressions of data, and qualitative researches are interested in nonnumerical expressions of data. [[The above was the last page I edited thoroughly, so please be sure to continue through this section and make the appropriate changes, as they are indicated above.]]

In the qualitative research method, interviewing is a widely used method for collecting data for social. The goal is to gather descriptions of the life experiences of the interviewee which relate to the phenomenon in the research. It emphasizes on the importance of interview as a method of data collection, enabling individuals to think and to talk about their predicaments, needs, expectations, experiences, and understandings (Anyan, 2013; Marshall & Rossman, 2016)

I followed a specific interview protocol that ensured the reliability and consistent interviewing processes of each participant. The participants were contacted via email after receiving informed consent from the organization, with an introduction to the doctoral study and the reason for the research in terms of sustainability and how their current roles as CSOs can add value to the explored topic. The email also stated the confidential nature of the study, the withdrawal option, and the member checking process that followed. The initial set of questions set the format for the open-ended inquiry, allowing participants to respond naturally to the six interview questions. I asked permission to record the interviews as audio recordings on an iPhone and will then used an alphanumeric code for each participating company to maintain their anonymity. Information was inserted in the appendices of the study upon completion.

Data Collection Technique

The technique I used included semistructured interviews and document analysis. The annual and stand-alone sustainability reports of each company was triangulated with the interviews conducted to create a reliable and creditable source of data. Interviewing was the primary technique used in this doctoral study. The foundation of the questions focussed on the following: What strategies do CSOs use to integrate sustainability protocols into operations to improve environmental reporting and generate maximum value for stakeholders?

During the process, I took rigorous notes. According to Christie, Bemister, and

Dobson (2015), after recording, it is critical for the interviewee to take the transcript and include notes of the details of the interview enabling additional value and color on the meaning of the answers, as the dialogue progresses. This can include the gestures and body language of the participant. The interview is advantageous in qualitative case studies because it serves as a technique that will gain insight, observations, and in-depth facilitation of expert knowledge pertaining to the role of the participants at the respective company. However, interviews can be intrusive or difficult to attain and may have bias depending on the participant (Robinson, 2014). The advantages of triangulating the document analysis of the sustainability reports and the output of the interviews provided comprehensive data for this doctoral study. The use of multiple data collection tools contributed to a more reliable and valid report (Fusch & Ness, 2015). In order to build confidence and appraise the collected data, the researcher can utilize the mnemonic of Fittingness, Auditability, Credibility, Trustworthiness, and Saturation (FACTS) (El Hussein, Jakubec, & Osuji, 2015). Additionally, the audio recording had an explanation to the participant of the research objective and overall procedure the interview process entailed. According to Merriam (2014), transcription of audio recordings is the most prominent method to collect data and preserve the informational material.

After completing the interviews, I contacted the subjects and member checked the information gathered either by email, phone or in person to ensure data accuracy, as suggested by Harvey (2015). This enables participants to check the research findings and reflect on the extant amount of information and answers for each question (Burau & Andersen, 2014). In order to achieve the credibility of the data, I used methodological triangulation (Wilson, 2014). The data collection further confirmed the information by including document analysis of each company's sustainability reports and annual reports, thus, increasing the reliability of the findings. The protocols for the process are in the appendices of the study.

Data Organization Technique

After collecting the sufficient data needed, I organized it in a database and utilized the computer-assisted software, NVivo. The information from the interviews were transcribed and, then, inputted into NVivo for thematic trends in a coded format. Researchers may base their decision on which software to utilize in their data collection on properties, such as the type and size of data set, their competence and skills in data interpretation, and the level of engagement with data analysis that they plan on undertaking (Sotiriadou, Brouwers, & Le, 2014). I chose NVivo because, I believe, the software enhanced the analysis of the data in this research.

Additional information gathered by field notes was inserted to add further distinction and uniqueness to the participants' responses. Responses were filed electronically. Categories and themes were organized in a manner to display trends and interpretations of the total collected data. Coding indexes created by the research questions, according to Yin (2013), can develop a pattern concept and further be useful in the organization of the material. Each participant had a separate file, organized with their individual transcripts and notes. The information was kept confidential and will be for five years in a safe place and then destroyed after that.

Data Analysis

The data analysis process involves deconstructing the interviews and company documents and critically evaluating the gathered information (Yan, 2014). In order to do so, the software, NVivo, coded and interpreted the data into succinct themes. The categorization and tabulation of the information led to relevant findings pertaining to the strategies utilized by CSOs. The data analysis formulated themes according to the following questions:

Interview Questions

1. As Chief Sustainability Officer, how do you assess the effectiveness of your sustainability protocols strategies to achieve the desired outcome?
2. How can the frameworks and standards that you've disclosed be integrated effectively into the operations of your company? How can the results from the improved sustainability integration improve your financial reporting, strategic competitive positioning and, in turn, maximize the shareholder value?
3. How are newly formed environmental sustainability protocols integrated into your current reporting systems and metrics that are being currently used by your ERP/SAP/CRM systems?
4. What metrics have you found to be the most useful in quantifying sustainability protocols into your business processes to be able to measure corporate sustainability initiatives for better financial reporting?
5. And lastly, what goals have you defined, as a firm, while integrating sustainability reporting into corporate operations and financial reports?

In order to synthesize the collection of data, I aligned the findings with the conceptual framework of stakeholder theory to present the effectiveness of the outcomes. The questions posed to each participant determined the thematic subsections in the study. I also included new studies that pertained to the themes discovered.

Coding data allows information to be qualified into frequency enabling patterns and themes to define results (Saillard, 2011). The methodical triangulation of peer-reviewed information, document analysis, and distilling interviews enable a credible, dependable, and verifiable analysis (Fusch & Ness, 2015). I also employed member checking and validate the themes with each participant.

Reliability and Validity

Reliability

Researchers maintain data integrity and validity by using the data organization technique that helps in the review, analysis, and reporting of the information (Anyan, 2013). Validity in qualitative research means checking the *appropriateness* of the tools, processes, and data. Whether the research question is valid for the desired outcome, the choice of methodology is appropriate for answering the research question, the design is valid for the methodology, the sampling and data analysis is appropriate, and finally, the results and conclusions are valid for the sample and context (Leung, 2015). According to Leung (2015), in quantitative research, reliability refers to exact replicability of the processes and the results. In qualitative research with diverse paradigms, such a definition of reliability is challenging and epistemologically counter-intuitive. Hence, the essence of reliability for qualitative research lies with consistency. For quality controls, I utilized a member-checking procedure to improve dependability, accuracy, and credibility by each participant to verify the data collected (Harper & Cole, 2012).

Lewis (2015) described in her research the procedure of triangulation as it refers to the qualitative approach to research to rely on multiple and different sources of information to convey categorical themes within the findings (Lewis, 2015). Furthermore, triangulation is the use of multiple methods, mainly qualitative and quantitative methods, in studying the same phenomenon for the purpose of increasing the study's credibility. This implies that triangulation is the combination of two or more methodological approaches, theoretical perspectives, data sources, investigators, and analysis methods to study the same phenomenon (Hussein, 2015). Some authors argue that triangulation is used only to increase the understanding of the phenomenon, while others argue that triangulation is actually used to increase the study's accuracy; in this case, triangulation is one of the most used validity measures.

Validity

To validate the research conducted I used member checking. Noble and Smith (2015) argue that member checking is the single most critical technique for establishing credibility. Furthermore, issues of validity in qualitative studies should be linked not to *truth* or *value* as they are for the positivists, but rather to *trustworthiness*, which *becomes a matter of persuasion whereby the scientist is allowing those practices visibility and, therefore, audibility* (Anney, 2014; Noble & Smith, 2015, p.34). This method creates a way in which the researcher can clarify the details of the interview and allow for additional input, if need be, from the respective participants.

After evaluating the collected data, it is important to interpret the information to reflect the participants' perspectives without bias. I described the interviews and transferred the knowledge to the computer-assisted program, NVivo. Additionally, confirmability or the neutrality of the information and the accuracy also adds to the validity of the data. However, I acknowledged data saturation as no new information was present. Fusch and Ness (2015) claimed that the absence of new data could alert the researcher of what themes come from the interviews; this enhances the validity of the material.

Transition and Summary

The purpose of this qualitative multiple-case study was to explore strategies CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders. The study consists of three sections, including the foundation of the research, the project, and the application for professional practice and implications for social change. Section 1 is a focus on the foundation, the topic of sustainability and the problem in the marketplace. In this section, I presented information to introduce the topic of sustainability and environmental standards and the need to solve an applied business problem. In this section, I reported on the reviewed and analyzed literature and research on the topic and a comprehensive history on the evolution of sustainability standards. In Section 2, I outlined the approach to the study including the research methodology as well as my role as a researcher and population for the field work. In Section 3, I present my findings relevant to the research question. Section 3 contains the results of the completed research and field work illustrated in the themes presented from the participants as significant strategies for sustainable performance. This documented study includes a discussion of the findings in the context of implications for social change, recommendations for action and business application, reflections on the research and suggestions for further study.

Section 3: Application to Professional Practice and Implications for Change

In this section, I provide an analysis and assessment of information gathered from semistructured, face-to-face, or teleconference interviews with five participants. The participants were chief sustainability officers (CSOs) of public corporations who are headquartered in the metropolitan New York region and demonstrated success at incorporating environmental sustainability reporting in their financial statements. Experience with sustainability management and exposure to integrating performance metrics were criteria for participation. I demonstrated a linkage to the conceptual framework and literature review provided in Section 1 of the study by discussing examples provided by the participants. Section 3 includes my findings and considerations for the application of the results to professional practice, suggestions for social change, recommendations for action and further study, and reflections on the research experience.

Overview of Study

The purpose of this qualitative multiple case study was to explore strategies that the CSOs could use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders. I investigated the following overarching research question: What strategies do CSOs use to integrate environmental sustainability protocols into their corporate operations to improve environmental reporting in their financial statements to generate maximum value for stakeholders? The data collection tool consisted of semistructured, in person or teleconference interviews with member checking. The triangulation of comparing data from sustainability reports from the selected companies, the interview notes, as well as the transcribed data, served as the format for the collection. Once I reached a level of saturation using the NVivo software, I structured a thematic analysis of the fieldwork. Using the six questions, I gathered the following themes: (a) organizational strategy and disclosure, (b) standardization and compliance, (c) performance data collection and metrics, (d) management communication and review, and (e) stakeholder engagement. In the following subsection, I describe these themes in more detail and support each node with participant citations and triangulate those transcripts with publicly available sustainability reports from each organization.

Table 2

Emergent Themes

Nodes/Themes	Number of Respondents	Number of Times the Theme was Addressed
Organizational strategy and disclosure	4	7
Standardization and compliance	5	11
Performance data and metrics	5	9
Management communication and review	5	14
Stakeholder engagement	5	10

Presentation of the Findings

The data collection I conducted focused on answering the central research question: What strategies do CSOs use to integrate environmental sustainability into operations to improve environmental reporting and generate financial value for stakeholders? The study I conducted elaborated on the exploration of the improved strategies for chief sustainability officers to implement within their respective organizations. Using a multiple case study design, I explained and provided information about emerging trends where sustainability reporting may contribute to the financial performance of large public entities. By use of semistructured interviews conducted with five participants, I identified as SP01–SP05, I described critical insights into a social phenomenon. The purposeful sampling of five chief sustainability officers who were experienced in the field of sustainability and implementing reporting for public enterprises was suitable for the research and eliciting data consistent with the ability and skill needed to apply environmental protocols within an organization. Each participant voluntarily gave either an in-person or teleconference interview that was approximately 40 minutes in length.

The following themes comprised an analysis of the interviews and the accompanying stand-alone sustainability reports. Each theme aligned with the conceptual framework, stakeholder theory. Stakeholder theory established a baseline for the categorical patterns based on significant words, phrases, and sentences that developed the emergent themes of this research. Thematic analysis and the NVivo software program I used identified patterns and subsequently became the identifying themes in the study.

Companies in the large-cap universe are collectively responsible for a large portion of the world’s economic activity - and the financial impact, both positive and negative, that stems from that activity (Sherwood & Pollard, 2017; Stacchezzini et al., 2016). More specifically, CSOs approach consists of defining metrics or indicators of that impact—both qualitative and quantitative—that express a fair representation and account for company performance on material sustainability topics and ensure that reasonable investors have access to the total mix of information in their decision-making process (Sustainability Accounting Standards Board, 2013). Once a metric or qualified factor is disclosed to the public the company is now accountable for that factor and the subsequent influence it has on all stakeholders. The overarching theme I identified focused on improving stakeholder value through sustainability and integrated reporting. Participants highlighted the environmental impacts that affect the financial output of companies, underscored by the following anecdote:

“Manufactures use resources, industrial activity produces waste-there is no avoiding these facts,” one SP05 stated,

> the missing step for most companies is an in-depth accounting where their impact is greatest: watersheds destroyed by cotton farmers; toxic chemicals inhaled by workers in pollutant-spewing factories; carbon emitted by trucks that bring goods and products to consumers or to landfills in communities whose water is then polluted by the toxic disintegration of synthetics and pesticides.

Numerous participants explained the differences between companies that are trying to build a sustainable future and those that are not. One participant, SP01, stated,

> “Managing sustainability risk is a component of our approach to overall risk management. Sustainability provides us with the opportunity to contribute to enhancing compliance and reducing operating costs while also improving our business processes and efficiencies. Sustainability practices are embedded in our operations, resulting in innovative manufacturing processes and transformative products, which enable us to deliver environmental, societal, and economic

benefits."

Stakeholders, including shareholders, are inherently interested in investing in the former, driving both returns and positive contributions to society. Strategies that enable environmental reporting can also enable financial impact for all stakeholders. Stakeholder theory focuses on the equitable approach for all shareholders, including the communities in which public companies operate. Within the research for this study, interviewees claimed that the new approach to the environmental profit and loss statement for a company is to treat each strategy as a *dollar back to nature.* Participants also refer to the triple bottom line approach, inclusive of *people, profit, and purpose,* in their management criteria for performance. Three main categories segment the sustainable factors: innovation and environment, health and well-being, and economic development/social inclusion—each with several subcategories highlighted in the thematic findings.

The participants explained that there has been a massive investment in ESG reporting, which is locked into respective PDF reports, all of which are included in the analysis of this study. If managers and researchers alike can analyze that trove of data and find what is decision-useful information for both corporate managers and investors, the economic impact will be positive (Tschopp & Huefner, 2015*).* Increased and improving ESG-related disclosure has been a primary focus for sustainable investors as well as chief executives around the world for the last several decades (Steyn, 2014; Stubbs & Higgins, 2015).

The interviewees discussed the effectiveness of their sustainability protocol strategies. Disclosure can work to build shareholder confidence, lift a company's reputation, and sometimes improve operational efficiency by helping companies identify areas for improvement according to the participants. It also enables investors to evaluate a company's progress and inform their investment decisions. In 2016 and 2017, ESG disclosure was the most common issue brought to vote in the United States, and proposals often received historically high levels of support from shareholders, according to the Conference Board (2017). Reports from USIF and the Conference Board deepen the understanding of how public companies' sustainability strategies are driving both societal impact and bottom-line. The following emergent themes align with stakeholder theory. The themes pertain to significant factors that influence how public company executives have adapted from the traditional format of business strategy to the evolution of sustainability reporting, leading to the consequent influence to conceptualize performance metrics for financial performance. Executives are keen to develop competitive advantages and ultimately achieve profitability. The overarching theme was improving stakeholder value through sustainability and integrated reporting. The strategies identified within this study can enhance the companies positioning and long-term value according to the participants. However, the study's participants defend the difficulty to address ESG with quantifiable metrics as companies are factored annually.

Theme 1: Organizational Strategy and Disclosure

Profit. The financial implications of sustainability reporting can be determined by the institutionalized metrics that incorporate operational efficiencies and the management of those sustainability initiatives. As the general business problem in the study states, some CSOs are unable to integrate and implement sustainability reporting into their financial reporting and organizational operations to improve financial reporting, which limits their ability to satisfy the demands of investors and stakeholders, puts them at a strategic competitive disadvantage, and lowers profitability. Within the following findings, interviewee's claimed that implementing a set of governed and accountable metrics served as the basis for reporting disclosures. Sustainability programs and strategic plans instituted by the CSOs in this study emerged in this research as the leading theme to justify the cost of integrated reporting. Recent trends show evidence of an increased level of disclosure as it relates to sustainability reports issued annually (Shoaf et al., 2018; Sroufe, 2017). All participants in this study released data and disclosures for their respective companies. 93% of the 250 largest public companies in the US have reported financial value from such initiatives (KPMG's International Corporate Responsibility Reporting Survey, 2017).

Seventy-eight percent of the world's biggest companies now integrate financial and nonfinancial data in their annual financial reports (KPMG, 2017). The GRI is the closest online platform for companies to file and report on their individual sustainability efforts. All participants in this study included a GRI report in their company-wide sustainability report. One of the key findings in this study is that the profession and role of chief sustainability officer continues to evolve from its tactical origins of reporting and stakeholder engagement to that of business strategy, change management, and on-the-ground execution. The GRI serves as a guidebook and a governed metric tool for CSO's to evolve their duty to enhance the companies environmental and social profile.

The expansion of ESG disclosure in today's markets have proven to decrease companies’ consumption of natural resources while enhancing workplace productivity and community buy-in. Incorporating a long-term corporate culture of sustainability has led companies to outperform their peers in stock price, branding and reputation, and ultimately net income (Eccles, Ioannou, & Serafeim, 2013). The study participants exhibited that these phenomena can serve as more than text box jargon but rather the foundation for integrated reporting standards as they exist today in public equities. For instance, Participant SP01 noted,

> As a company, we have focused more than ever on growing and developing our people. We're stepping up support for career development, and increasing our investment in critical resources, such as employee networks. And this year, we can proudly say that we achieved a global pay equity ratio for men and women, and white to underrepresented groups in the US.

Another participant, SP04, elaborated,

> Our culture is rooted in the values embodied in Our Credo, which calls on us to support our employees across their whole lives — spiritual, mental, physical, and financial. Guided by this principle, we provide thousands of individuals with the opportunity to build a varied and diverse career across the full spectrum of human health and the opportunity to help advance our purpose of changing the trajectory of health for humanity.

Further conveyed by SP05,

> Our innovation is a bedrock - every dollar spent that affects the sustainability and the impact for our farmers improve the lives of those people, we are only looking

> to move toward positive outcomes, and our large-scale pilot projects can do that. It is in those projects that define the outcomes which have their embedded risks, but we adapt to climate change cost and want to save ecosystems, but to do so, we need to partner with NGOs and governments to secure lasting commitments.

Advancing these initiatives into financial outputs are standard-setters such as the Sustainability Accounting Standards Board and the Global Reporting Initiative (GRI) who are developing and disseminating guidelines that have addressed the issues of standardization and materiality for multiple industries. The population set for this study consisted of consumer, infrastructure, technology, healthcare, and finance industries. More specifically, SASBs approach consists of defining metrics or indicators—both qualitative and quantitative—that express a fair representation and *account for* company performance on material sustainability topics and ensure that reasonable investors have access to the *total mix* of information in their decision-making process (SASB, 2013). The top down approach was a distinct finding in the participants interviews. Most participants concurred that the direction from the CEOs is critical for the implementation of all proposed strategies and efforts stemming from their respective sustainability departments. Policies and standards create a solid foundation for building environmental, social, and governance programs within organizations. 80% of participants cited competitor activities as a driver of their increased ESG efforts. One such participant, SP01, identified the need for the C-suite to "rate higher than their competition in the Dow Jones Sustainability Index (DJSI)." DJSI is a family of indices evaluating the sustainability performance of thousands of companies trading publicly, operated under a strategic partnership between S&P Dow Jones Indices and RobecoSAM.

Organizations’ strategies derive from the top management team and the chief sustainability officers according to participants. They collectively determine the vision and the mapping of the ESG programs across the enterprise. Those controls allow CSOs to develop the appropriate framework for disclosure. As one SP01 clearly stated, “the second we disclose something, we are now held responsible and accountable for the data.” Economists and business theorists have identified various key concepts in stakeholder theory that align with this theme, including corporate strategy, increased financial performance, and organizational efficiency (Benlemlih & Bitar, 2018; Makipere & Yip, 2008; Tang et al., 2011).

The literature in Section 2 supported such disclaimers in that numerous academic and industry studies quantify the impact of ESG on long-term financial performance. Academia and practitioners alike have suggested a neutral to positive relationship between strong ESG indicators and long-term financial performance (Kim et al., 2012; Odell & Ali, 2016; Paul, 2008). The most comprehensive publication, a meta-study conducted by Deutsche Bank Climate Change Advisors, reviewed more than 100 studies of sustainable protocols and investing. Fulton, Kahn, and Sharples (2012) pointed to their findings exhibiting that companies with high ratings for CSR and ESG factors have lower costs of capital. I established through the research findings of the first theme that those companies exhibited market-based outperformance, while 85% of additional research studies show these types of company's exhibited accounting-based outperformance — a direct relation to the population in this study.

Experts from the nonprofit organization GRI, who have promoted corporate sustainability activities and reporting since 1997, have found that organizations are no longer satisfied with financial reporting alone; shareholders, customers, communities, and other stakeholders are requesting information about overall organizational performance inclusive of environmental strategies. As the conceptual theory that frames this study, stakeholder theory concentrates on the very bedrock of GRI's fundamental mission – to secure the demands of all stakeholders. Stakeholder theorist posits that the essence of business in the context of corporate social responsibility (CSR) primarily lies in building relationships and creating value for all its stakeholders, inclusive of wealth creation and social and environmental benefits (Chan et al., 2014; Freeman & Dmytriyev, 2017). The CSO's interviewed in this study believe that the real influence over the implementation of corporate and environmental stewardship lies in the management teams and the progress toward protecting the planet and making commitments to do so.

SP03 articulated a large-scale sustainability strategy that was enabled by the Trump tax cuts, stating that,

> Our company is about inclusive growth, politically and economically, with the advent of digital tech, we were able to re-allot those monies by using the broad use of technology and digitize the base of the pyramid by helping bring identification to people. They were given their own controls by our program that linked farmers to robo-banking and the optionality to sell their own products in live time. This strategy is really an international program that reduced risks for the

farmers, increased trust in the systems, builds a legacy for the families, and ultimately created demands for the products. Truly a sustainable approach to business, with real financial outputs.

Theme 2: Standardization and compliance

Purpose. Materiality assessments, derived from the GRI guidelines, Sustainable Development Goals (SDGs), and the United Nations Global Compact Guiding Principles (UNGC), as well as the SASB disclosures, have become a starting ground according to the interviewees source for standards and protocols. Furthermore, due diligence from investors has enhanced the integration of ESG considerations according to 80% of participants. Expanding from the legal compliance, and remediation reviews (such as groundwater or land contamination) to the more comprehensive risk and opportunity assessments when considering acquisitions or mergers for large public equities, ESG has become a leveraging tool for executives (Litfin, Meeh-Bunse, Luer, & Teckert, 2017). The majority of respondents have built a perspective that standards are a natural progression from the compliance arena, such as the traditional environmental health and safety measures and safety codes. ESG at the core is a metric of risk for 100% of participants.

Most participants named the following areas they include within their respective standardized reports to the public and all stakeholders: (a) health, (b) safety, (c) environmental management, (d) climate change, (e) social engagement, (f) business integrity, (h) corporate governance, (i) transparent reporting, and (j) innovation.

Table 3

Participant Responses Supporting Sustainability Reporting Factors

Participant	SP01	SP02	SP03	SP04	SP05
Climate change	X	X		X	X
Social engagement			X		
Business integrity	X		X		
Corporate governance	X	X		X	X
Transparent reporting	X		X	X	
Innovation		X	X	X	X

One such organization that participated in the study developed a toolset to assess facility energy use, the architecture of information technology systems, and waste management practices, among other areas of resource use and environmental impact. Utilizing this proprietary toolset the participant then established a set of goals and targets to meet within three year periods, a reasonable time frame to prove effectual return on investments. Another respondent, SP01, spoke of the innovation strategies embedded within the culture of the company,

> We divert over 50 million pounds of waste from landfills each year utilizing recycled material for our products; other innovative experiments have become

> multi-billion dollar business within our company. For instance, we have a recycled polyester that has become the highest performing product line, and it's a new sustainable super material made from at least 50% leather fiber, across our highest grossing consumer product. This is when sustainability turns into positive cash flow!

This strategy has become more than just a standard for some organizations but the way forward for organizational performance. The conceptual node within this research finding suggests that establishing a standardized method of reporting can serve as the way forward for corporations in setting the bar for financial performance. The literature review in Section 2 supported such areas of importance in the development of standards by various industry leaders such as SASB, GRI, and the IIRC.

Additionally, participants claimed that collaboration was a critical element for change management and have redirected firms toward compliance and standardization. For instance, SP01 stated,

> As the urgency for climate change calls for significant industry shifts, we’re joining coalitions such as the Global Fashion Agenda and the United Nations Framework Convention on Climate Change (UNFCCC) and the Fashion Industry Charter for Climate Change that seek to accelerate progress across borders and sectors.

Via various think tanks and foundations, brands find themselves inevitably trending toward cooperation, coming to corporate grips with the idea that sustainability has to be more than a marketing plan nor a compliance mandate (Murray, 2008). One such participant announced a partnership with UNESCO's intergovernmental scientific program, Man and Biosphere, "which aims to safeguard biodiversity across the planet" in line with the U.N.'s Sustainable Development Goals. The participant went to declare that they will have applied the U.N.'s highest standards to 70 percent of its supply chains and will have reduced its carbon dioxide emissions by 25 percent. SP03 asserted the need for collaboration,

> In our perspective, as a leading technology company, we need to map the fundamental nature of earth's systems; our natural resources are critical to sustainability, so we effectively monitor and report on that – in order to do it well, we need to collaborate with people on the ground. Satellite technology cannot show everyone in the supply chain. We drive those collaborations. We build that technology to solve problems. And our tech cannot make a larger impact than just that of one company. We even created a blockchain for innovative payments in refugee camps – this experiment is not for *sustainability reporting* but for the promotion of shared value in society.

The overall use of specific standards is noted below as the most widely used amongst participants.

Table 4

Sustainability Reporting Tools

	Number of Participants	Percentage of Participants
GRI reporting guidelines	5	100%
SASB standards	3	60%
Sustainable development goals (SDGs)	5	100%
United nations guiding principles (UNGC)	4	80%

Theme 3: Performance data, collection, and metrics

Planet. Linking ESG and financial metrics serve as the most critical and elusive tool for chief sustainability managers. Newly formed environmental sustainability protocols that can be integrated into current reporting systems and metrics are not widely used within traditional ERP/SAP/CRM systems. Performance data and credible metrics can prove useful for economic and competitive advantages while communicating with internal and external stakeholders according to interviewees. Most participants described the need to identify and capture cost savings. Those opportunities exhibited the use of metrics in certain functions of the firm, for instance, energy efficiency. As SP02 recalled, “the cost savings realized from eco-efficiency initiatives is a significant driver of ESG programs at their respective organization.” The data provided areas for improvement by exhibiting the potential to improve efficiency, eliminate waste, and reduce operating costs.

One such organization in this study issued an appendix within their sustainability report that identifies the SASB standards explicitly in a table format. The topics and accounting metrics listed the management of chemical products with associated metrics as “discussion and analysis.” This metric shows the qualitative areas that do not necessarily result in a numerical value but perhaps a compliance code, namely, “discussion of processes to assess and manage risks and/or hazards associated with chemicals in products.” Secondly, the same SASB table listed environmental impacts in the supply chain, showing associated accounting metrics as “Percentage of (1) tier supplier facilities and (2) supplier facilities beyond Tier 1 that have completed Sustainable Apparel Coalition’s Higg Facility Environmental Module (HIGG FEM) assessment or an equivalent environmental data assessment. The result is in the form of a percentage, where the suppliers are audited to a Code of Conduct, which labels compliance and monthly performance against the sustainability targets that are issued by the respective company. References are listed for each of these metrics for familiarity and clarity.

Labor conditions in the supply chain is another topic that is frequently noted in most interviews conducted and labeled in every sustainability report reviewed in this study. The unit of measure, according to SASB standards, is a percentage for the tiers of suppliers that meet the code of conduct. However, the metric is a description of the greatest (1) labor, and (2) environmental, health, and safety risks in the supply chain and are labeled in a discussion and analysis format.

For most participants, an abundance of metrics existed for factors such as water usage, and energy use, which is comparatively easy to measure and relate to value creation, but others are not. One such example voiced is child labor as a social issue that is critical and important to discuss but even more difficult to monitor due to a lack of metrics. The scarcity of clear metrics and reporting standards has complicated the evaluation of performance for executives.

The supply chain was a widely discussed topic for most public entities' executives interviewed. The risks associated with the supply chain are a concern for both disclosure and actuality of the measurements disclosed by the second and third-party vendors. One SP03 cautioned the scope three emissions metric,

> A challenge in the supply chain is the downstream or upstream emissions depending on the manufactures quantifying – you have to participate in that partnership, but it is difficult to account for in the *procurement* sections of the reporting. We've been experimenting with artificial intelligence to monitor overseas facilities, building on this platform can save millions of dollars if done correctly.

Herein, participants voiced the absence of clear, standardized metrics to effectively measure and monitor ESG issues and their relationship to value creation. This remains a challenge for all respondents in the study. However, emerging resources, as discussed earlier and listed in Table 2, have enabled practitioners to assess factors more critically.

Identifying metrics that are most useful in quantifying sustainability protocols and business processes can help measure corporate sustainability initiatives for better financial reporting according to the interviewees. Numerous sustainability reporting tools deliver a range of metrics that are being disclosed by all participants in their reports. The highlighted metrics included carbon emissions, waste diversion, water usage, energy usage.

Table 5

Sustainability Reporting Metric

	Number of Participants	Percentage of Participants
Carbon - Emissions	5	100%
Energy per KW used	5	100%
Water per Gallon used	5	100%
Waste Per ton diverted	4	80%

One organization’s executive found early in the development of sustainability metrics a strong relationship between governance, health, and safety performance and returns. The participant began tracking worker safety and realized material cost savings by setting safety improvement goals. For integrity metrics, it looked to outside resources, specifically Transparency International's Corruption Perceptions Index, to ensure performance improvements in various markets that the company operated within. After realizing that absolute emissions were a poor metric for their energy investments, the company created carbon intensity targets and developed a separate energy tool to measure usage across the assets. The metric helped improve the performance of operations and created targets to benchmark results.

Additional commentary on key performance measures from one SP02 noted that energy efficiency is the leading area for their sustainable growth, “we have reduced our company-wide electricity consumption by 38% since 2003. Energy efficiency projects have saved our firm millions of dollars in operating costs. We continue to explore new projects, such as energy battery storage, and on-site energy generation like solar installations as these technologies mature and offer improved financial returns.” One of the strategies the participant utilized for the measurement of environmental impact was the “cradle to grave” Lifecycle Analysis (LCA). This analysis examined the inputs-outputs of all material, energy, and the associated environmental impacts attributable to a product or service in its Lifecycle. The metric most applicable to the environment was the Green House Gas emissions (GHG), according to 5 out 5 participants. One such SP03 noted that the main contributors to their business’s emissions are transportation fuels, building energy use, and packaging differences.

SP02 also noted that leveraging the internet of things has proved intelligent and has enabled a cost-savings for all assets in their portfolio. The strategy of implementing and piloting smart networks across their business, including sensors, optimal LED lighting, and partnering with leading technology firms for the build-out of such systems has increased the monitoring and measurement of water and energy usage. They have expanded this program across 73 properties and are growing according to SP02.

Theme 4: Management communication and review

Building an effective ESG management team and platform begins by securing the commitment from the CEO. All of the participants in this study voiced this critical factor. As is true of any corporate initiative, the successful adoption of ESG integration requires the commitments of top management as well as effective communication throughout the organization's departments and vendors (Mullins & Schoar, 2016). Participants noted that beyond the direct benefit of cost savings realized through ESG management practices, communicating with peers and other stakeholders on these issues is of critical importance. One such participant asserted, "Sustainability equals more cash flow. And if you are willing to put in the time to improve the sustainability principles and measures, you will, in fact, make more money." SP05 articulated their strategic communication by stating,

> In 2018, we used our three-platform strategy – Positive Principles, Sensational People, and Regenerative Products – as a touchstone. Having achieved three of our four 2020 eco-efficiency targets, we launched EcoEffective+, establishing environmental goals with a clear focus on science-based emission reductions, zero waste to landfill, and water stewardship.

Communications activities described by several participants include participation in ESG-oriented forums, the development of length sustainability reports or case studies, and the integration of ESG commitments and accomplishments into investor communications. However, one participant, namely SP02, identified the annual sustainability report as a “phone book no one reads.” Sharing best practices with other executives and creating transparency can elevate the bar for corporates to participate in various standardized reporting frameworks, notably the GRI. No participant discussed the use of the IIRC frameworks but rather the United Nations Global Compact Guiding Principles (UNGC), which acted as a vital tool for the communication of their strategies. Each organization incorporated a GRI Framework in the stand-alone sustainability report.

SP04 summarized cogently,

> We communicate these important disclosures, and many other topics, through the Health for Humanity Report, our annual Janssen U.S. Transparency Report, our

> Proxy Statement, our Annual Report, and other Company SEC filings. Through these disclosures, we aim to provide a holistic view of how we create long-term value for Our Credo stakeholders, as well as our Company's position on relevant topics. We look forward to feedback from our stakeholders on these issues and are always open to new ideas and ways we can enhance our disclosures or practices.

Intangibles. Within this theme is the sub-category of intangibles. Intangible assets are those things you cannot physical hold but can put a name to and an intrinsic value – such as patents, copyrights, customer relationships, and brand names. Some participants noted that high-quality management teams and dedicated and skilled workforces are integral parts of intangible assets for their firms. There are varying opinions on methodologies used to value intangible assets, but these questions are increasingly important as the deviation between market and book values grow. As interviewees asked to quantify these intangibles, the questions became more difficult to answer, posing a challenge in the standards and metrics needed to described key performance indicators. SP03 concluded, “I weight the factors as best as possible, but to benchmark against another company is very difficult. We need more clarity from the standards board on how best to measure.”

These measures are essential to CSO’s because it is a necessary analysis needed to forecast the sustainability of returns based on competitive advantages and whether the investment required will show a net profit over time. Therefore, intangible assets introduce more variability and uncertainty into the overall assessment to all shareholders of a specific public equity. A thoughtful and consistent ESG framework can facilitate the evaluation of these intangible assets as an indication of company quality.

To further illustrate this point, Wharton Business School produced a study that shows a value-weighed portfolio of the “100 Best Companies to Work for in America”; to which they earned an annual four-factor alpha of 3.5% from 1984-2009, and a 2.1% above industry benchmarks. This illustration suggested that employee satisfaction is not only positively correlated with shareholder returns, but the market does not fully value intangibles, even when independently verified by a highly public survey.

Interpreting the quality of management can be exhibited by the accomplishment of achieving goals and managing the targets set forth by company guidelines and policies. One participant stated that “setting bold targets to source 100% renewable energy across our globe by 2025,” saw major momentum and return for the company. Another respondent, SP02, noted that they committed to 100% renewable energy for the North America region. In the context of goals and achievements, one such participant began the interview citing that their organization was a leader in the space of sustainability, namely that their efforts set forth by their department have garnered recognition from Carbon Disclosure Project (CDP) and Global Real Estate Sustainability Benchmark (GRESB). Further explained and detailed in his annual sustainability report, SP05 stated,

> We are committed to addressing this risk and are a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). To help support the transition to a more resilient economy, in 2018, we set a new 2030 target of mobilizing $250 billion in capital for low-carbon solutions, raising nearly $30 billion in the first year of the effort. In this report, we have also included a new section on climate

> change to provide investors and other stakeholders with a cohesive picture of our progress.

Theme 5: Stakeholder engagement

People. The driver behind integrated reporting can be value creation for all participants in this study. Stakeholder engagement emerged as a significant finding from the research data and the reports reviewed. Section 2 illustrated that the composition of stakeholders includes owners, investors, employees, customers, communities, and suppliers (Freeman and Dmytriyev, 2017). Researchers of Stakeholder theory posit that the essence of business in the context of corporate social responsibility (CSR) primarily lies in building relationships and creating value for all its stakeholders, inclusive of wealth creation and social and environmental benefits (Chan et al., 2014; Freeman & Dmytriyev, 2017). Investing in the capacity needed to manage ESG risks and opportunities within organizations was a trend across the participant pool. SP05 conveyed a strong sense of shareholder value by stating,

> Sustainability is a shared endeavor. We strongly value the perspectives and insights of our stakeholders, and we engage them through many forums on an ongoing basis. In 2018, the annual roundtable convened by the firm to gather input from key external stakeholders focused on challenges that asset owners face in integrating ESG considerations into portfolios. Other recent topical issues included human rights (2017) and climate change (2016).

Bringing on additional staff, hiring experts, and consultants, and engaging with stakeholders were valuable options participants claimed to be useful. SP01 described his team of 8 analysts that were used strictly to scrub data from various departments in order to aggregate enough information for the GRI reporting. This is a manual method opposed to the ERM and SAP systems that are instituted in corporate companies today. Participants overall did not have substantial responses to what systems were embedded with current SAP or ERM – most data derived from various departments and synthesized by the sustainability and CSR teams of each company.

However, stakeholders demand more from organizations and want to analyze the ESG factors that affect business. Innovative business models, systematic thinking and integrated reporting can become tools for all stakeholders to make more informed decisions and to generate maximum value for all shareholders (SASB, 2017).

Technology. One of the emerging sub-themes within this stakeholder engagement theme was the increasing percentage of consumers utilizing technology and the internet to review organizations' activities. With the emergence of internet access globally, 51.2% of the world’s population or 3.9 billion people will have access to the internet by the end of 2018 (Olhager et al., 2015). Social networks, the streaming of news and information from the adoption of smartphones, and the interconnected webs of people have significant implications for information transparency. 80% of respondents discussed the factor of transparency as it relates to the numerous stakeholders that a company touches on a daily basis, from the consumer to the investor. The speed with which information travels and the ease with which that information can be retrieved has a major impact on the strategies and reporting mechanisms that are embedded in public companies according to the participant pool. Every disclosure is accounted for, as SP03 illustrated in the interview process. One example of such ease, a smartphone can download a GoodGuide App and can scan a product barcode and in real-time, retrieve health, environmental, and social performance ratings for food, personal care, and household products. In addition, participants noted that social media campaigns broadcast supply chain conditions globally in real-time, employees share experiences with companies on career-oriented websites, and online blogs and forums expand the reach of opinion and analysis.

Relating this theme to the conceptual framework used in this study, stakeholder theory, Freeman and Dmytriyev (2017) further argued that companies with high levels of CSR could enhance their reputation, gain employee loyalty, and benefit from customers' support resulting in a positive impact on the companies’ financial performance. Therefore, with numerous sources of information available, companies are recognizing that technology-enabled transparency is diminishing their ability to control public perception. This trend also highlighted the importance of engaging with stakeholders to anticipate and prevent potential issues, as these stakeholders are becoming increasingly important in shaping the public's perception of companies. The manner in which a company engages stakeholders is a sign of management quality, an attribute that is often acknowledge by investors in a valuation premium or discount.

Applications for Professional Practice

The findings of this study can be of value to businesses because they can assess the progress using integrated sustainability reporting, communicate with stakeholders and shareholders regarding CSR, and create competitive advantages for companies who maintain an integrated system of thinking (Huang & Watson, 2015). The results of this study serve as a body of research that can support the need for an integrated system of reporting and illustrate the business case for increased profitability and market share for the leading sustainability-oriented corporations.

Leaders that use effective ESG policies may enrich their business operations and deliver positive long-term financial results for corporations. The majority of stakeholders, specifically investors, are continuously seeking high-value information that may signify competitive advantage as opposed to other market participants, inclusive of their ESG metrics (Oprisor, 2015). As each participant made clear, the external stakeholders are requesting and asking for more definitive impactful measurements and disclosures.

The first theme, *organizational strategy and disclosure* are areas in which the forward-thinking companies are diligently reporting on in either their sustainability reports or their annual reports. Voluntary frameworks for disclosure are becoming compulsory. The levels of disclosure will also rise, and countries that do not have regulation are likely to introduce it in the near future. The conventional lines between “financial” and “nonfinancial” are not only beginning to blur, but in some examples, are breaking down completely. This is evident with the Financial Stability Boards' Task Force on Climate-related Financial Disclosures (TCFD) and the mandatory disclosure of climate risks in annual reports, not in corporate sustainability reports. The integration is already at the forefront of a business leader's organizational strategy as exhibited by the research findings in this study.

The second theme, *standardization and compliance,* addressed business’ requirements to their stakeholders. While the study proved that initiatives to standardize reporting approaches need progress and should be encouraged, it is likely that the international reporting landscape will continue to be fragmented and dynamic for the foreseeable future. Business leaders need to ensure their organizations are in touch with global reporting trends and in a good position to anticipate and respond to change according to interviewees. As demands for disclosure grow, firms' executives need to ensure they have up-to-date and efficient systems in place to collect, analyze and disclose the necessary ESG information and that they are able to convince regulators, investors, and others of the reliability of that information. This leads to the third theme, *performance data, collection, and metrics*, whereby the participants have seen that traditional corporate reporting has focused on reporting statistics, such as how many cubic meters of water a company has saved, how many tons of carbon it has reduced or how many employees it has sent on training programs; Such statistics, with various metrics surrounding them increasingly lack real meaning without information or context. The future of corporate reporting is all about communicating impact in both the environmental and financial sense, not static data. That impact is where the profitability can be uncovered for corporate entities (Oprisor, 2015).

The fourth theme, *management and communication*, is how business leaders reiterate the abundance of information and data into a meaningful bottom line. Financial stakeholders – including investors, lenders, and insurers-need to know what impacts businesses are having on society and the environment, and how this could impact the overall business performance in the future (Paul, 2008, Owen, 2013). Does a firm understand the impacts of the management decisions made by their sustainability teams, and what actions are they taking to unlock opportunities and reduce risk to build future value-creation.

The fifth theme, *stakeholder engagement*, ties directly to the communication of the management teams to the external and internal members of an organization. One such focal point from this study has been the Sustainable Development Goals and the United Nations Guiding Principles and how they fuel demands from companies for impact data. Stakeholders want to know how companies are contributing to achieving goals and what the actual impacts are of those positive contributions. Similarly, they want to know how company activities are exacerbating the challenges the SDGs seek to solve, and what the negative impact is in real terms. It is not just civil society and NGOs that want this information, but as the study portrays, a large number of institutional investors are exploring how they can align their investment approaches with the SDGs. Such investment strategies will inevitably require impact disclosure to satisfy the needs of all stakeholders.

Implications for Social Change

Public and private companies have a responsibility to serve a social purpose. Society believes that organizations should not only turn a profit but also deliver positive contributions to communities and those communities includes all stakeholders, customers, and employees (Sachs, 2015). The implications for positive social change align with the concept of integrated sustainability reporting. Environmental and social issues, such as climate change, water scarcity, and human rights, will be seen as financial and branding issues, rather than nonfinancial issues. Improving environmental sustainability reporting may provide better access to healthcare, improved communities, employee engagement, increased diversity, ethical behavior, and conduct, as well as environmental stewardship with key efforts on reporting carbon footprints (SASB, 2017). Companies managers may be expected to be transparent not only about their own performance on these topics but also about the financial risks and opportunities they face because of them and the likely effects on the business's value creation in both the short and long-term. Reporting on ESG performance may represent an essential part of maintaining a social license to operate for global businesses.

In part, participants noted that companies are beginning to align some of their business aspirations around external frameworks and goals such as the Paris Agreement and the Sustainable Development Goals, as noted above. There has also been an increase in the use of the corporate voice from companies. A number of the participants are taking more public positions on social and environmental issues, ranging from immigration and equality to firearms and the Paris Agreement. Business leaders can effectually influence social change by assuring strategic management decisions and competent change for improvement. Each theme that emerged within the study showcases various elements of social change, ranging from the responsibility of business operations to highly efficient performance metrics that enhance shareholder value and social benefit for the communities involved.

Recommendations for Action

Propositions for a shared vision for the future echoed amongst all participants, as they voiced their dedication and eagerness to develop ESG best practices and strategies within their firms. Public companies can employ the findings from this study to strategically adapt the metrics and standards being utilized by the participants. Insight and effectiveness within specific activities and programs can become the foundation for future generations of sustainability managers and officers. Communicating via sustainability reporting via various social media has become a new trend for public equities to deliver on their goals and objectives to curb climate change and resource scarcity.

However, the gap identified by managers in integrated annual reports suggests there is an opportunity for improvement in the movement toward an integrated reporting standard that is recognized by corporations internationally (Schooley & English, 2015). Such standardized financial and sustainability reporting protocols may improve the firm's performance and branding (Schooley & English, 2015).

In their ability to communicate and disclose information to improve financial performance, the way forward for companies will be by the integration of their financial and nonfinancial (societal and environmental) strategies (Oprisor, 2015). ESG factors and sustainability metrics may be reported in numerous ways, either a separate section within the 10-K annual report or a separate stand-alone electronic version, which all 5 participants had issue publicly; or as the recommendation enlist, based on the findings in this study and a compilation of founded research, a report that integrates sustainability reporting *together* with financial reporting. The SASB has issued guidelines similarly to the GRI, which 3 out of the 5 participants had included in their reporting, establishing the financial material and decision-useful information that can be incorporated into the integrated report version, that will drive returns for corporations in over 79 industries.

The recommendations from this research will be distributed to the various participants and will include a summary of the findings, as well as organizational forums and boards that support the standardization of sustainability reporting and disclosures. The goal is that leadership and management practices are exposed to others, supporting operational excellence and training programs that can elevate the transparency of corporations worldwide. When possible, I will publish articles and findings on applicable platforms in order to promote the way forward for sustainable practices.

Recommendations for Further Study

The overarching business problem within this study and the respective inquiry targeted a select number of participants from the New York region within large capitalized corporations. Recommendations for further study include (a) a more robust participant pool, (b) studies that address the impacts in a quantifiable manner, (c) larger geographic scope exhibiting best practices from international leaders, (d) cost-benefit studies showing the return on investment (ROI) on specific sustainability strategies.

The study was focused on the New York region based on the proximately of participants to my consulting business. Other researchers could have expanded this scope in other major cities, such as Paris or Dubai, for instance. Those markets have a different set of standards, and cultures which would have led to differing viewpoints or strategies.

With varying regulation, reporting mechanisms could provide insight on materially financial implications for sustainability programs.

I choose a qualitative multiple-case study to review the reporting standards and financial implications of large public companies. Another option to review the financial implications of businesses could be an exploratory review of the quantitative data within the annual reports and the numerical findings based on sustainability KPIs, where specific metrics are combined to show financial outputs. Additionally, a cost-benefit analysis could also formulate further research on a case by case method that could be more narrowly focused, ultimately serving other findings for sustainability reporting objectives.

Reflections

The research and experiences in this qualitative study have led to the discovery that as a market, we cannot live in the short term but rather promote best practices and strategies for the long-term effectually giving the next generation the tools necessary to excel. Companies are often criticized in time of crisis for their lack long-term value creation and lack of transparency. In order to show the full picture of an organization, an integrated format for reporting will serve those searching for good governance, solid performance and sustainable disclosure. As a consumer and consultant, we *choose* which companies we want to employ and what products we want to buy; and as the study proves, the next generation wants to know where their food is produced, how their products are made and who treats everyone equitably. Furthermore, the integrated format of reporting goes beyond the basics of financial disclosure to the acknowledgement of the real opportunities, risks and inherent objectives of a company.

The World Economic Forum (WEF) notes, “transformational shifts in our economic, environmental, geopolitical, societal, and technological systems offer unparalleled opportunities, but the interconnections among them also imply enhanced systemic risks” (WEF, 2014). This concept was evident in the greater body of research incorporated in this study and reflects on how global population growth is increasing greenhouse gas emissions. As I reflect on the experience with each interview, both myself and the CSOs *march* for a safer and cleaner environment, and so with climate change as a crisis for the globe, we see it as our mission to protect it. With this in mind, these perceived risks cut across geographies and economic sectors, in many cases, are deeply aligned with ESG factors, as stated by all participants in this study. It is impossible to ignore how each report analyzed in the study addresses the importance of demographic challenges, resource scarcity, climate change, and global governance reforms.

Summary and Study Conclusions

As this study has demonstrated, the overwhelming majority of companies have acknowledged that the industry-specific issues addressed in the current standards and frameworks available today have had reasonably material impacts on their business outcomes. The standards, such as SASB and GRI, are intended to improve the effectiveness of corporate disclosure on sustainability matters. They are designed to provide the transparency that enables markets to perform their core functions, one of which is price discovery. Financial markets exist, in large part, to convert information into prices. SASB (2017) notes, a lighthouse doesn't help a sailor navigate a coastline when it’s built several miles away from potentially dangerous rocks; likewise, a price signal may harbor hidden risks for investors and companies alike when it’s based solely on historical financial performance data with no forward-looking context. When companies, like the ones that have participated in this study, begin to systematically apply the same rigor to such information that they currently do to traditional financial data, they will improve their own ability to manage these issues, and in return enable investors to incorporate them into their own decision making processes, and fulfill the efficacy of markets more accurately by incorporating ESG risks and opportunities into securities pricing.

However, before the sustainability community can commend themselves for progress, we must acknowledge the challenges and barriers ahead. This doesn’t simply take into account the distrust of science, the false-equivalency narratives that require two sides of any story regardless of merit, the stripping of the U.S. Environmental Protection Agency and the contentious political environment in the US and elsewhere. Most CSOs, including those in this study, believe that their programs are underfunded, gender pay equity has improved yet the gap still exists despite efforts by management, and ESG-based decisions to invest or divest are not being reported widely. Unless we can tell compelling stories linked to a strategy and societal benefit (for stakeholders) and net income benefit for investors, we ultimately will not solve for sustainable performance. Companies are no longer just being asked to supply ESG data; they are being asked to provide context for the numbers, specifically the financial implications of ESG performance. The way forward for companies and their regulators is to enact a mandated standardization for all nonfinancial material factors that will influence not only the performance of a company but the *generations that come after it*.

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Appendix A: Interview Protocol

The research question for this study was: What strategies do CSOs use to integrate environmental sustainability into operations to improve environmental reporting and generate financial value for stakeholders?

Therefore, this qualitative multiple case study consisted of six open-ended questions to gain ideas and insights from experienced chief sustainability officers at public companies based in the United States.

Interview Protocol	
Protocol Steps	**Protocol Actions**
Select participants	I will contact participants by email or phone and according to established eligibility criteria.
Set time and place for the interview	Interviews will take place in the participant's private office or public place or teleconference when applicable.
Introduce the interview and set the stage	I will recap the purpose of the research study, obtain verbal consent from each participant, and provide each participant with a written consent form.
Record the interview	I will explain to the participant the interview will be audio-recorded. The interview will start with the following background information: a. Sustainability background b. Title/Position c. Years of experience
Ask open-ended questions while watching for non-verbal cues, paraphrasing as needed, and asking follow-up probing questions to ensure rich and in-depth responses	1. As Chief Sustainability Officer, how do you assess the effectiveness of your sustainability protocol strategies to achieve the desired outcome? 2. How can the frameworks and standards that you’ve disclosed be integrated effectively into the operations of your company? How can the results from the

	improved sustainability integration improve your financial reporting, strategic competitive positioning, and, in turn, maximize the shareholder value? 3. How are newly formed environmental sustainability protocols integrated into your current reporting systems and metrics that are being currently used by your ERP/SAP/CRM systems? 4. What metrics have you found to be the most useful in quantifying sustainability protocols into your business processes to be able to measure corporate sustainability initiatives for better financial reporting? 5. And lastly, what goals have you defined, as a firm, while integrating sustainability reporting into corporate operations and financial reports?
Wrap up the interview thanking the participant	Thank each participant in person or via phone and confirm the participant has my contact information for follow-up questions and concerns. I will also email each participant after the interview.
Transcribing the interview	I will transcribe each interview and email transcription and interpretation to participants.
Member check	I will contact each participant and confirm the accuracy of the transcription.
Schedule a follow-up member checking interview to ensure data saturation and enhanced rigor of the research	I will ask participants if my synthesis represents their response or if there is additional information they would like to share.